

**CORDIA INTERNATIONAL ZRT.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2018**



## INDEPENDENT AUDITOR'S REPORT

**To the shareholders of Cordia International Zrt.**

### **Opinion**

We have audited the accompanying consolidated financial statements of Cordia International Zrt ("the Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2018, the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

### **Basis for opinion**

We conducted our audit in accordance with International Standards of Auditing ("ISA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Group in accordance with the applicable laws of Hungary, with the Hungarian Chamber of Auditors' Rules on ethics and professional conduct of auditors and on disciplinary process and, for matters not regulated in the Rules, with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board (IESBA Code of Ethics) and we also comply with further ethical requirements set out in these.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibilities of management and those charged with governance for the consolidated Financial Statements**

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis in preparation of the consolidated financial statements. Management has to apply the going concern basis of accounting in the consolidated financial statements unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Budapest, 17 June 2019

A blue ink signature of László Radványi, written in a cursive style.

László Radványi  
Partner

PricewaterhouseCoopers Könyvvizsgáló Kft.

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December			
<i>In thousands of Hungarian Forints (iHUF)</i>	<i>Note</i>	2018	Restated 2017
Revenue	6	19,854,006	6,918,141
Cost of sales	7	(12,149,655)	(2,939,111)
Gross profit		7,704,350	3,979,030
Selling and marketing expenses	8	(1,956,791)	(1,141,535)
Administrative expenses	9	(1,629,260)	(1,860,097)
Other expenses	11	(609,984)	(112,689)
Other income	12	19,570	1,149,705
Operating profit		3,527,885	2,014,414
Interest income	13	294,912	115,292
Other financial income	13	961,613	820,377
Finance income		1,256,523	935,669
Interest expense	13	(35,531)	(214,517)
Other financial expense	13	(1,101,313)	(619,285)
Finance expense		(1,136,844)	(833,802)
Net finance income/(expense)		119,681	101,867
Share of loss in joint venture	2(b)	102,756	0
Profit before taxation		3,544,811	2,116,281
Current income tax	14	(245,489)	(91,640)
Deferred tax	14	(21,127)	(112,391)
Income tax expense		(266,616)	(204,031)
Profit for the year		3,278,195	1,912,250
Exchange differences on translating foreign operations		2,005	(15,261)
Other comprehensive income/(loss)		2,005	(15,261)
Total comprehensive income for the year, net of tax		3,280,200	1,896,989
Total profit/(loss) for the year attributable to:			
owners of the parent		3,348,916	1,935,511
non-controlling interests		(70,721)	(23,261)
Total profit/(loss) for the year		3,278,195	1,912,250
Total comprehensive income attributable to:			
owners of the parent		3,263,390	1,920,250
non-controlling interests		(70,721)	(23,261)
Total comprehensive income for the year, net of tax		3,280,200	1,896,989

The notes on pages 8 to 76 are an integral part of these consolidated financial statements.

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## Consolidated Statement of Financial Position

<i>In thousands of Hungarian Forints (THUF)</i>	<i>Note</i>	<b>31.12.2018</b>	<b>Restated 31.12.2017</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	15(a)	187,856	136,988
Property, plant and equipment	15(b)	666,784	563,989
Long-term receivables from third parties		8,426	11,493
Long-term receivables from related parties	16(a)	1,150,746	1,050,379
Investments accounted for using equity method	2(b)	729,800	0
Deferred tax assets		124,939	135,090
Other long-term financial assets	16	10,869,940	5,483,415
Other long-term assets	15(d)	819,992	1,859,010
<b>Total non-current assets</b>		<b>14,558,483</b>	<b>9,240,364</b>
<b>Current assets</b>			
Inventory	15(c)	58,713,306	37,536,704
Trade and other receivables	16(b)	191,521	332,278
Short-term receivables from related parties	16(a)	4,359,861	1,807,482
Other short-term assets	15(d)	301,199	423,471
Income tax receivable		30,040	23,054
Other tax receivables	15(f)	3,057,847	819,580
Other financial assets	16	269,834	2,750,234
Cash and cash equivalents	16(c)	12,289,550	9,971,253
<b>Total current assets</b>		<b>79,213,158</b>	<b>53,664,056</b>
<b>Total</b>		<b>93,771,641</b>	<b>62,904,420</b>

*The notes on pages 8 to 76 are an integral part of these consolidated financial statements.*

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**Consolidated Statement of Financial Position (cont'd)**

<i>In thousands of Hungarian Forints (THUF)</i>	<i>Note</i>	<b>31.12.2018</b>	<b>Restated 31.12.2017</b>
<b>Equity<sup>1</sup></b>			
<b>Shareholders' equity</b>			
Share capital	1(d)	9,252,912	9,252,912
Share premium	17(b)	592,166	592,166
Currency translation reserve		143,877	141,872
Other reserves	17(c)	(234,382)	(189,439)
Retained earnings	17(d)	7,117,547	3,768,631
<b>Equity attributable to equity holders of the parent</b>		<b>16,872,120</b>	<b>13,566,142</b>
Non-controlling interests	2(d)	86,823	111,305
<b>Total equity</b>		<b>16,958,943</b>	<b>13,677,447</b>
<b>Net assets attributable to non-controlling investment unit holders</b>	2(c)	<b>16,286,632</b>	<b>7,468,455</b>
<b>Liabilities<sup>1</sup></b>			
<b>Non-current liabilities</b>			
Loans and borrowings	16(d)	4,829,609	5,746,263
Long-term liabilities to related parties	16(e)	4,429,058	2,274,895
Deferred tax liabilities		44,550	165,986
Customer advances	15(e)	7,635,951	5,337,026
Other long-term liabilities	15(g)	1,870,338	651,154
<b>Total non-current liabilities</b>		<b>18,809,506</b>	<b>14,175,324</b>
<b>Current liabilities</b>			
Trade and other payables	16(f)	4,471,907	2,949,018
Short-term liabilities to related parties	16(e)	3,124,653	3,450,854
Loans and borrowings	16(d)	5,239,689	735,812
Customer advances	15(e)	28,127,855	20,190,907
Other tax liabilities		707,187	168,287
Income tax liabilities		45,269	88,316
<b>Total current liabilities</b>		<b>41,716,560</b>	<b>27,583,194</b>
<b>Total liabilities</b>		<b>60,526,066</b>	<b>41,758,518</b>
<b>Total</b>		<b>93,771,641</b>	<b>62,904,420</b>

*The notes on pages 8 to 76 are an integral part of these consolidated financial statements.*

<sup>1</sup> excluding net assets attributable to non-controlling investment unit holders

## Consolidated Statement of Changes in Equity

For the years ended 31 December 2018

Attributable to the equity holders of the parent

<i>In thousands of Hungarian Forints (THUF)</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at 1 January 2017	37,322	0	157,133	36,074	1,281,960	1,512,489	53,446	1,565,935
Profit/(loss) for the year	0	0	0	0	1,967,057	1,967,057	(54,807)	1,912,250
Other comprehensive loss	0	0	(15,261)	0	0	(15,261)	0	(15,261)
Proceeds from shares issued	8,660,742	592,166	0	0	0	9,252,908	0	9,252,908
Other change in reserves	0	0	0	(220,301)	774	(219,527)	0	(219,527)
Reclassification made upon legal merger	554,848	0	0	(5,212)	(554,848)	(5,212)	0	(5,212)
Non-controlling interests arising on acquisition	0	0	0	0	0	0	8,428,379	8,428,379
Pre-acquisition retained earnings of transferred entity	0	0	0	0	1,066,586	1,066,586	0	1,066,586
Redemption of non-controlling interests	0	0	0	0	7,102	7,102	(847,258)	(840,156)
Transactions with owners	9,215,590	592,166	0	(225,513)	519,614	10,101,857	7,581,121	17,682,978
Balance at 1 January 2018 as previously presented	9,252,912	592,166	141,872	(189,439)	3,768,631	13,566,142	7,579,760	21,145,902
Adjustment (Note 23)							(7,468,455)	
Balance at 1 January 2018 as restated	9,252,912	592,166	141,872	(189,439)	3,768,631	13,566,142	111,305	13,677,447
Profit/(loss) for the year	0	0	0	0	3,348,916	3,348,916	9,938*	3,358,854
Other comprehensive loss	0	0	2,005	0	0	2,005	0	2,005
Other change in reserves 17(c)	0	0	0	(44,943)	0	(44,943)	0	(44,943)
Non-controlling interests arising on acquisition	0	0	0	0	0	0	40,551	40,551
Redemption of non-controlling interests	0	0	0	0	0	0	(74,971)	(74,971)
Transactions with owners	0	0	0	(44,943)	0	(44,943)	(34,420)	(79,363)
Balance at 31 December 2018	9,252,912	592,166	143,877	(234,382)	7,117,547	16,872,120	86,823	16,958,943

The significant movements in the equity items presented above are explained in details in Note 17.

\*Please also refer to Note 2 (c) about Net assets attributable to non-controlling investment unit holders.

*The notes on pages 8 to 76 are an integral part of these consolidated financial statements*



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## Consolidated Statement of Cash Flows

For the year ended 31 December <i>In thousands of Hungarian Forints (THUF)</i>	Note	2018	2017
<b>Cash flows from/(used in) operating activities</b>			
Profit/ before taxation for the period		3,544,811	2,116,281
<i>Adjustments to reconcile profit before for taxation to net cash used in operating activities:</i>			
Depreciation	15(a), 15(b)	154,930	144,457
Other non-cash movements*		616,823	192,567
Profit on sale of non-current assets classified as held for sale		0	(1,140,694)
Profit/loss on sale of tangible and intangible assets		21,261	(8,995)
Net finance income/expense	13	(119,681)	(101,867)
Increase in inventory	15(c)	(17,848,785)	(17,810,664)
Share of loss in joint venture	2(b)	102,756	0
Decrease/(increase) in trade and other receivables	16(b)	1,251,687	(1,941,726)
(Decrease)/increase in liabilities from related parties	16(a), 16(e)	(2,552,379)	(3,280,654)
Increase in trade and other payables	16(f)	(810,345)	1,484,179
Increase in advances received	15(e)	10,235,873	18,627,733
Interest paid	13	(723,472)	(218,829)
Income tax paid	14	(427,934)	(54,630)
<b>Net cash from/(used in) operating activities</b>		<b>(6,554,456)</b>	<b>(1,992,842)</b>
<b>Cash flows from/(used in) investing activities</b>			
Proceeds from sale of investment property		0	1,132,000
Proceeds from sale of non-current assets held for sale		0	7,213,689
Consideration paid for the acquisition of subsidiaries	2(a)	(137,924)	0
Cash of acquired subsidiaries	2(a)	241,104	0
Acquisitions of tangible and intangible assets	15(a), 15(b)	(316,631)	(648,214)
Investing in long-term financial assets	16	(4,347,507)	(5,481,337)
Increase of long-term loan receivables	16(a)	(182,387)	(1,050,379)
Repayment of long-term loan receivables	16(a)	147,940	74,680
Interest received	13	294,912	115,292
Investments accounted for using equity method	2(b)	(832,556)	0
<b>Net cash from/(used in) investing activities</b>		<b>(5,133,049)</b>	<b>1,355,73</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from loans and borrowings	16(d), 16(e)	28,642,619	8,549,507
Repayment of loans and borrowings	15(e), 15(b)	(23,302,397)	(20,541,919)
Capital increase	17(a)	0	9,252,908
Purchase of non controlling shares and investment notes	2(c), 2(d)	10,240,551	7,581,121
Redemption of non controlling shares and investment notes	2(c), 2(d)	(1,574,971)	0
<b>Net cash from financing activities</b>		<b>14,005,802</b>	<b>4,841,617</b>
<b>Net change in cash and cash equivalents</b>		<b>2,318,297</b>	<b>4,204,506</b>
Cash and cash equivalents at beginning of the year		9,971,253	5,766,747
Cash and cash equivalents at end of the year	16(c)	12,289,550	9,971,253

*The notes on pages 8 to 76 are an integral part of these consolidated financial statements*

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\*Significant transactions with no cash movement

For period ending as of 31 December 2018

**Other long-term liabilities**

Other long-term liabilities (please see also 15(g)) increased by 1,219,184 THUF in 2018. This includes construction related supplier payables balances. Since this change does not represent a cash movement, the change in the inventories calculated from the balance sheet shall be adjusted with the balance of these unpaid suppliers at the end of each year.

For period ending as of 31 December 2017

**Legal merger**

Cordia International Zrt. acquired several entities through a legal merger as of 20 September 2017.

As a result of the merger, the Group acquired the following assets and liabilities:

Balance sheet line item	Amount (THUF)
Long-term receivables from related parties	7,725,002
Other current asset	123,421
Long-term liabilities to related parties	6,781,837

All the acquired long-term receivables and liabilities were balances with companies in the Group, therefore after the merger these were eliminated in the consolidation. Repayment of loans and proceeds from loans granted are presented in the consolidated statement of cash flows showing only the transactions with cash movement. In order to reconcile the cash flow with the balance sheet for these lines, these non-cash movements shall be considered.

**Other long-term liabilities**

Other long-term liabilities (please see also 15(g)) increased by 455,433 THUF in 2017. This includes construction related supplier payables balances. Since this change does not represent a cash movement, the change in the inventories calculated from the balance sheet shall be adjusted with the balance of these unpaid suppliers at the end of each year.



## Notes to the Consolidated Financial Statements

### 1. Background and business of the Company

- (a) **Company name:** Cordia International Private Limited Company ('Cordia International Zrt.')
- Headquarter:** 7th floor, 47-53 Futó street, 1082 Budapest
- Company registration number:** 01-10-048844
- Statistical number:** 25558098-6810-114-01
- Tax registration number:** 25558098-2-42

Cordia International Private Limited Company ('the Company'), a Hungarian private limited company with its statutory seat in Budapest, Hungary, was incorporated on 17 April 2016.

The core business of the company is to develop residential properties and then sale residential units. The Company is not involved in development of other real estate projects.

The registered office is located at 47-53 Futó street, Budapest, Hungary. The Company (together with its Hungarian Polish and Romanian subsidiaries 'the Group'), is active in the development and sale of units, primarily apartments, in multi-family residential real-estate projects to individual customers in Hungary, in Poland and in Romania.

Cordia International Zrt. (the 'Parent') was established as of 27 April 2016 by Futureal Property Group Kft.

As of 31 December 2018 the Company has the following owner:

- Sparks Limited 100% (place of business: Brewery Street, Mriehel, BKR3000, Malta)

Direct controlling party of the Company was Sparks Limited as of 31 December 2018 (and as of 31 December 2017). The direct controlling party company does not prepare consolidated financial statements and there is no consolidated financial statement available into which the Company is consolidated.

The ultimate controlling parties are Futó Gábor and Futó Péter. A list of the companies from which the financial data are included in these Consolidated Financial Statements and the extent of ownership and control are presented in Note 2.

## 2. Interests in other entities

### (a) Group structure

The details of the Hungarian, and Polish and Romanian entities whose financial statements have been included in these Consolidated Financial Statements, the percentage of ownership and voting rights held by the Company and the classification of investments as at 31 December 2018 and 2017, are presented in the table.

The projects managed by the companies are in various stages of development ranging from being in the process of acquiring land for development to projects which are completed or near completion.

Entity name	Place of operation	Share of ownership & voting rights at		Nature of relationship	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
Villena Sp. z o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Wrocław I Sp. Z o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Zyrardów Sp.z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Futureal Management Poland Sp. Z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
CORDIA Polska SP. Z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cereman Vagyonkezelő Zrt.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Lands Investment Ltd.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Property Management Kft.	Hungary	N/A	100%	Not in the group	Subsidiary
Cordia Development 1 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Development 2 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 1 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 2 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 3 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 4 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 5 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Ingatlanbefektetői Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Management Szolgáltató Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia New Ages Ingatlanfejlesztő Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
CM-HoldCo Kft	Hungary	100%	100%	Subsidiary	Subsidiary
Sasad Resort 2 Kft	Hungary	72,50%	72,5%	Subsidiary	Subsidiary
IPOPEMA 146 Alapusz Inwestycyjny					
Zamknięty Aktywow Niepublicznych	Poland	N/A	100%	Not in the group	Subsidiary
Cordia Poland GP One Spółka Z	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Project Holding Cordia Poland GP One Spk.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 1 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 2 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 3 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Warszawa 4 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Projekt Kraków 1 Cordia Poland GP One Spółka z.o.o.	Poland	100%	100%	Subsidiary	Subsidiary
Cordia Central Ingatlanfejlesztő Kft.	Hungary	100%	100%	Subsidiary	Subsidiary
Finext Funds One SICAV-SIF	Luxembourg	25%	25%	Subsidiary	Subsidiary
Cordia Global 6 Alap	Hungary	50%	100%	Joint-venture	Subsidiary
Cordia Global 7 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 8 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 9 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 10 Alap	Hungary	100%	4,71%	Subsidiary	Subsidiary
Cordia Global 11 Alap	Hungary	100%	100%	Subsidiary	Subsidiary
Cordia Global 12 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 13 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 14 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 15 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 16 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 17 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 18 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Global 19 Alap	Hungary	100%	N/A	Subsidiary	Not in the group

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Entity name	Place of operation	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Cordia Global 20 Alap	Hungary	100%	N/A	Subsidiary	Not in the group
CORDIA Munkavállalói					Not in the group
Résztulajdonosi Program Szervezet	Hungary	100%	N/A	Subsidiary	
CDS-Cordia Development Services Srl	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Parcului Residential Project Srl	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Belváros Ingatlanfejlesztő Kft.	Hungary	70%	N/A	Subsidiary	Not in the group
Cordia FM Társasházkezelő Kft	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia New Times Ingatlanfejlesztő Kft.	Hungary	70%	N/A	Subsidiary	Not in the group
Cordia New Homes Kft	Hungary	100%	N/A	Subsidiary	Not in the group
Finext Funds BP SICAV-SIF	Luxembourg	20%	N/A	Subsidiary	Not in the group
Cordia Romania Holding One Kft.	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Romania Holding Two Kft.	Hungary	100%	N/A	Subsidiary	Not in the group
Cordia Development 3 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Development 4 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Development 5 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Development 1 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Projekt Warszawa 5 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Projekt Kraków 2 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Projekt Kraków 3 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Dante Project SRL	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Navigatorilor Project SRL	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Corarilor Development SRL	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Project Services SPV3 SRL	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Project Development SPV2 SRL	Romania	100%	N/A	Subsidiary	Not in the group
Cordia Partner 2 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Partner 3 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Partner 4 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group
Cordia Development 2 Spółka z ograniczoną odpowiedzialnością	Poland	100%	N/A	Subsidiary	Not in the group

Please also refer to Note 3(a) about critical judgments and significant accounting policies.

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Cordia International Zrt. established the following entities in 2018:

**Newly established entities**

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Cordia Global 12 Alap  
Cordia Global 13 Alap  
Cordia Global 14 Alap  
Cordia Global 15 Alap  
Cordia Global 16 Alap  
Cordia Global 17 Alap  
Cordia Global 18 Alap  
Cordia Global 19 Alap  
Cordia Global 20 Alap  
CORDIA Munkavállalói Résztulajdonosi Program Szervezet  
Cordia New Homes Kft  
Finext Funds BP SICAV-SIF  
Cordia Romania Holding One Kft.  
Cordia Romania Holding Two Kft.  
Cordia Development 3 Spółka z ograniczoną odpowiedzialnością  
Cordia Development 4 Spółka z ograniczoną odpowiedzialnością  
Cordia Development 5 Spółka z ograniczoną odpowiedzialnością  
Cordia Development 1 Spółka z ograniczoną odpowiedzialnością  
Projekt Warszawa 5 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością  
Projekt Kraków 2 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością  
Projekt Kraków 3 Cordia Partner 2 spółka z ograniczoną odpowiedzialnością  
Cordia Dante Project SRL  
Cordia Navigatorilor Project SRL  
Cordia Corarilor Development SRL  
Cordia Project Services SPV3 SRL  
Cordia Project Development SPV2 SRL  
Cordia Partner 2 Spółka z ograniczoną odpowiedzialnością  
Cordia Partner 3 Spółka z ograniczoną odpowiedzialnością  
Cordia Partner 4 Spółka z ograniczoną odpowiedzialnością  
Cordia Development 2 Spółka z ograniczoną odpowiedzialnością

Cordia International Zrt. acquired the following entities in 2018:

**Newly acquired entities**

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Cordia New Times Ingatlanfejlesztő Kft.  
Cordia FM Társasházkezelő Kft  
CDS-Cordia Development Services Srl  
Cordia Parcului Residential Project Srl  
Cordia Belváros Ingatlanfejlesztő Kft.

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**(b) Interests in joint-ventures**

Set out below is the joint venture of the group as at 31 December 2018 (as of 31 December 2017 there were no such investment). The entity listed below have share capital consisting solely of ordinary shares, which are held directly by the group.

Entity name	Nature of relationship	Measurement method
Cordia Global 6 alap	Joint-venture	Equity method

Cordia Global 6 alap entity consists projects named Marina Life 1 and 2. The entity is jointly controlled with a partner which is another Hungarian legal entity operating in the real estate industry.

**31.12.2018**

*In thousands of Hungarian Forints  
(HUF)*

**Cordia Global 6 Alap**

Net assets	<b>1,459,600</b>
Group's share in %	50
Group's share in THUF	729,800
<b>Carrying amount</b>	<b>729,800</b>

**2018**

*In thousands of Hungarian Forints  
(HUF)*

**Cordia Global 6 Alap**

Revenue	12
Profit as subsidiary	(849)
Profit as joint-venture	(205,512)
Other comprehensive income	0
<b>Total comprehensive income</b>	<b>(206,361)</b>

Reconciliation to carrying amounts:

**2018**

*In thousands of Hungarian Forints (HUF)*

**Cordia Global 6 Alap**

Opening	0
Change in investments	832,556
Profit attributable to Group	(102,756)
<b>Closing carrying amount</b>	<b>729,800</b>

**(c) Net assets attributable to non-controlling investment unit holders Non-controlling interests**

As described previously, the Group has controlling investment in two investment funds as of 31 December 2018, namely Finext Real Estate Opportunities One SICAV-SIF Sub-Fund and Finext Real Estate Opportunities Budapest SICAV-SIF Sub-Fund. Besides the Group, there are other non-controlling investors as owners of these two funds. The two sub-funds operate under a similar scheme in which, the funds' life is limited and pre-determined upon establishment. The funds issue two classes of investment notes in form of shares, Class C is owned by the Group, Class P is purchased by the non-controlling investors. The two share classes provide different rights and they have different risk profile. Based on the funds' prospectus, repayment of the original investments and distributions of profits and losses are to be made as follows:

- First, original investments into Class P and Class C shares shall be returned pro-rata and pari passu. Potential losses are therefore suffered pro-rata, based on the invested capital.
- After distributions equal to the invested capital to all unit holders, the potential profits are not distributed on pro-rata basis but in different proportions, with such proportions changing based on IRR achieved by the Class P unitholders versus pre-agreed IRR hurdles.

The Group does not provide any guarantee on the return on the capital invested by the non-controlling party. In case the projects in the fund generate losses, the losses are shared between the Group and the non-controlling investment unit holders on a pro-rata basis up to the amount of the capital invested. Each parties' liability is limited to the amount of capital invested in the fund.

The Group has no unconditional obligation to pay back any amount invested by the non-controlling investment unit holders, however – after the completion of any project in the fund – the generated free cash shall be returned to the investors and the Group has no sole right to decide about potential reinvestments into potential new projects. Therefore the Management believes that presenting these balances among general liabilities or among the Group equity would be misleading and it would not provide a fair picture about the financial position of the Group. Based on the above, and based on the industry practice, net asset attributable to non-controlling investment unit holders are disclosed on a separate line in the consolidated statement of financial position.

Please also refer to Note 23 about change in previous year's presentation for these balances.

Please see below the movements in the balances during the period.

*In thousands of Hungarian Forints (HUF)*

<b>Opening balance 31 December 2016</b>	<b>0</b>
Investment made by non-controlling parties	7,500,000
Change in net assets attributable to non-controlling parties	(31,545)
<b>Balance 31 December 2017</b>	<b>7,468,455</b>
Investment made by non-controlling parties	10,200,000
Redemption	(1,500,000)
Change in net assets attributable non-controlling parties	(80,660)
Profit distribution to be paid out	198,837
<b>Closing balance 31 December 2018</b>	<b>16,286,632</b>

At each period end, the Group calculates the profit distribution to be paid out on finished projects to non-controlling investment unit holders and presents the balance among net assets attributable to non-controlling investment unit holders non-controlling interests.



**Consolidated Financial Statements for the year ended 31 December 2018**

Please see below the most important financial information regarding these two funds. Please note, that these figures are based on the funds' stand-alone statutory financial statements, therefore consolidation adjustments are not included. In their stand-alone statutory financial statements, the funds measure their investments in other entities within the Group at fair value with gains and losses recognized through the P&L.

<b>31.12.2018</b>	<b>Finext Funds BP</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>	<b>SICAV-SIF</b>
Current assets	253,997	182,825
Current liabilities	9,519	11,621
Current net assets	244,478	171,204
Non-current assets	13,182,705	17,940,976
Non-current liabilities	0	0
Non-current net assets	13,182,705	17,940,976
Net assets	<b>13,427,183</b>	<b>18,112,180</b>
Accumulated net assets attributable to non-controlling Class P investment unit holders	<b>10,165,064</b>	<b>5,922,731</b>
Accumulated net assets attributable to controlling, Class C investment unit holders (i.e. the Group)	<b>3 262 119</b>	<b>12 189 449</b>

  

<b>2018</b>	<b>Finext Funds BP</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>	<b>SICAV-SIF</b>
Revenue	0	0
Profit for period	1,877,183	8,289,370
Other comprehensive income	0	0
Total comprehensive income	1,877,183	8,289,370
Profit allocated	(34,936)	(45,724)
Dividends paid	0	0

  

<b>2018</b>	<b>Finext Funds BP</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>	<b>SICAV-SIF</b>
Cash flow from operating activities	19,819	(49,345)
Cash flow from investing activities	(11,265,822)	960,616
Cash flow from financing activities	11,500,000	(2,000,000)
Net change in cash and equivalents	<b>253,997</b>	<b>(1,088,729)</b>

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<b>31.12.2017</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>
Current assets	1,271,554
Current liabilities	0
Current net assets	1,271,554
Non-current assets	10,551,257
Non-current liabilities	0
Non-current net assets	10,551,257
Net assets	11,822,811
Accumulated net assets attributable to non-controlling investment unit holders	7,468,455

<b>2017</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>
Revenue	1,864,872
Profit for period	1,822,511
Other comprehensive income	0
Total comprehensive income	1,822,511
Profit allocated	(31,546)
Dividends paid	0

<b>2017</b>	<b>Finext Funds One</b>
<i>In thousands of Hungarian Forints (HUF)</i>	<b>SICAV-SIF</b>
Cash flow from operating activities	42,061
Cash flow from investing activities	8,686,385
Cash flow from financing activities	(10,000,000)
Net change in cash and equivalents	(1,271,554)

**(d) Non-controlling interests**

Movements in non-controlling interests during the year ended 31 December 2018 are as follows:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
<b>Opening balance</b>	<b>111,305</b>
Comprehensive income/(loss) attributable to non-controlling interests	9,938
Non-controlling interest arising on acquisition	40,551
Redemption of shares owned by non-controlling interest	(74,971)
<b>Closing balance</b>	<b>86,823</b>

### **3. Basis of preparation and measurement**

#### **(a) Basis of preparation and statement of compliance**

The consolidated financial statements of Cordia International Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee (IFRIC). The financial statements are for the group consisting of Cordia International Plc and its subsidiaries.

The consolidated financial statements have been prepared on a going concern basis, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations. The consolidated financial statements were authorized by the Boards of Directors of Cordia International on 17 June 2019.

The parent company and the subsidiaries operating in Hungary prepare their separate financial statements according to the Hungarian Accounting Standards 2000. C. (the HAS), the subsidiaries operating in Poland prepare their separate financial statements in accordance with accounting policies specified in the Polish Accounting Act dated 29 September 1994 with subsequent amendments and the regulations issued based on that Act (all together: 'Polish Accounting Standards'). The subsidiaries operating in Romania prepare their separate financial statements in accordance with accounting policies specified in Accounting Law no. 82/1991 with subsequent amendments and the regulations issued based on that Act (all together: 'Romanian Accounting Standards'). Some of the regulations in the Hungarian, Polish or Romanian accounting standards are different from IFRS. These consolidated financial statements include a number of adjustments not included in the books of account of the Group entities, which were made in order to bring the financial statements of those entities to conformity with IFRSs as adopted by EU.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

#### **(b) Basis of measurement**

The consolidated financial statements have been prepared on a going concern basis, applying a historical cost convention, except for the measurement of those financial assets that have been measured at fair value through profit or loss.

The methods used to measure fair values for the purpose to prepare the consolidated financial statements are discussed further in Note 18.

#### **(c) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Hungarian Forint, which is the parent company's functional currency and the Group's presentation currency.

#### **(d) Basis of consolidation**

These Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement

with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for similar transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Inter-company transactions, balances and unrealized gains or losses on transactions between Group companies are fully eliminated, except where there are indications for impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Such transactions or events do not give rise to goodwill. As these transactions meet the exception definition as of IAS 12.15.b deferred tax related to the acquisition is not recognized at the transaction date. In case the transaction is between parties under common control the difference between the fair value of the assets and liabilities acquired and the consideration paid is accounted for in the other capital if it arose from a transaction with owners in their capacity as owners based on the analysis of the substance.

Otherwise, in case an acquired subsidiary or group of assets meets the definition of “business” as defined by IFRS 3 the Group applies the acquisition method to account for business combinations. In this case the consideration transferred is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

**(e) Use of estimates and critical judgments**

The Group estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

**Revenue recognition**

IFRS 15, Revenue from Contracts with Customers (issued in May 2014 and effective for the periods beginning on or after 1 January 2018) Management analyzed impact of initial application of IFRS 15 and identified the following topics, where difference between IAS 18 and IFRS 15 might arise. Cordia applied modified retrospective approach upon transition to IFRS 15. Based on the analysis, Management concluded that transition to IFRS 15 does not have a material impact on the Cordia Group's financial statements.:

**(i) Capitalization of incremental costs to obtain a contract**

- Cordia Group has already (before the adaptation of IFRS 15) capitalized variable sales commission of real estate agents in case those commissions can be directly linked to the specific sales contract in the previous year's consolidated financial statements. Capitalized sales commission is recognized as other asset and reversed to selling and marketing expenses upon transferring the control of property to the customer and recording the revenue.

**(ii) Recognizing revenue**

- IFRS 15 changed the indicators required to be assessed in order to determine, when revenue shall be recognized. In case of Cordia Group, based on IFRS 15.35 revenue shall be recognized at a point time. This is the point, when control over the property is transferred to the customer.

Based on IFRS 15.38, there are five indicators that a customer has obtained control of an asset:

- The entity has a present right to payment.
- The customer has legal title.
- The customer has physical possession.
- The customer has the significant risks and rewards of ownership.
- The customer has accepted the asset.

**(iii) Significant financing component**

Notwithstanding the provisions of IFRS 15 para 61, a contract with a customer would not have a significant financing component if the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

Cordia Group believes that the customer pays in advance to ensure purchase of the apartment. This is the market practice and significant majority of the apartments are sold before completion of the projects.

Selling price in case of paying in advance is not lower than the price that would be paid upon completion. Cordia Group believes that based on these arguments, payments are not made in advance to provide financing, therefore no significant financing component exists. Therefore transition to IFRS 15 had no impact on the financial statements.

**Subsidiaries with less than 50% ownership held by the Group**

As of 31 December 2018, in Finext Funds BP SICAV-SIF, Finext Funds One SICAV-SIF the Group owns less than 50% of the investment units, but it is capable of controlling the entities through the rights provided by its shares. This means that funds issued two classes of investment units, where the ones owned by the Group allow it to control the entities as required by IFRS 10 (i.e. all the major decisions are to be decided by Cordia International). Please also refer to Note 2 (d) about net assets attributable to non-controlling investment unit holders of these two funds.

#### **4. Significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

##### **(a) Foreign currency**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss for the year except for the exchange gains and losses related to cash flow hedges or hedges for qualified investments which shown in other comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented net in the income statement within finance costs and finance income respectively, unless they are capitalized as explained in Note 4(i) ("Borrowing costs"). All other foreign exchange gains and losses are presented net also in the income statement within finance costs and finance income respectively.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

##### **(b) Revenue**

Revenue is recorded based on IFRS 15 from 1 January 2018. Management assessed the difference between IAS 18 and IFRS 15 and identified that transition to IFRS 15 had no impact on the consolidated financial statements.

Below the accounting policy for IFRS 15 is described based on the 5-step model.

##### **Identifying the contract**

An agreement between two or more parties that creates enforceable rights and obligations meets the definition of a contract in the revenue standard. A contract can be written, oral, or implied by Cordia Group's customary business practices.

Cordia Group's customary business practices is to have always written contracts with customers.

The following criteria should be met before Cordia Group accounts for a contract with a customer:

- a. the contract has been approved (in writing, orally, or in accordance with other customary business practices) and the parties are committed to perform their respective obligations,
- b. the entity can identify each party's rights;
- c. the entity can identify the payment terms;
- d. the contract has commercial substance; and
- e. it is probable that the entity will collect the consideration to which it is entitled for transferring the goods and services to the customer.

Cordia Group believes that the criteria above is met in case of all its written customer contracts.

##### **Identify the performance obligations**

Performance obligations are the unit of account for the purposes of applying the revenue standard, and they therefore determine when and how revenue is recognised.

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. At contract inception, Cordia Group assesses the goods or services promised to a customer, and identifies each promise to transfer as either:

- a. a good or service (or a bundle of goods or services) that is distinct; or
- b. a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Promises in a contract can be explicit, or implicit if they create a valid expectation that the entity will provide a good or service based on the entity's customary business practices, published policies or specific statements.

A series of distinct goods or services provided over a period of time is a single performance obligation if the distinct goods or services are substantially the same and have the same pattern of transfer to the customer. A series of distinct goods or services has the 'same pattern of transfer' if both of the following criteria are met:

- a. each distinct good or service meets the criteria to be a performance obligation satisfied over time; and
- b. the same measure of progress towards complete satisfaction of the performance obligation is used.

A good or service that is promised to a customer is distinct if:

- a. the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is, the good or service is capable of being distinct); and
- b. the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the good or service is distinct within the context of the contract).

Cordia Group considers each property (i.e. apartment, parking lot, storage) as one performance obligation. Cordia Group transfers the control to the customer over the properties at the same time. Revenue for different property types is not reported separately. Services are not sold together with the properties. Based on this, Cordia Group treats properties in each customer contract as a single performance obligation, because separation would not have an impact on the financial statements.

### **Determining the transaction price**

The transaction price in a contract reflects the amount of consideration that Cordia Group expects to be entitled to in exchange for goods or services transferred. The transaction price includes only those amounts to which the entity has rights under the present contract and excludes amounts collected on behalf of third parties. The consideration promised in a contract with a customer might include fixed amounts, variable amounts, or both. Contractually stated prices for goods or services might not represent the amount of consideration that Cordia Group expects to be entitled to as a result of its customary business practices with customers.

### **Allocating the transaction price to separate performance obligations**

The transaction price should be allocated to each separate performance obligation, or distinct good or service, so that revenue is recorded at an amount that depicts the amount of consideration that the entity expects to be entitled to in exchange for transferring the promised goods or services.

The transaction price should be allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer.



### **Recognizing revenue**

Revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer.

Control either transfers over time or at a point in time. Management needs to determine, at contract inception, whether control of a good or service transfers to a customer over time or at a point in time. If the performance obligation is not satisfied over time, it is satisfied at a point in time.

Revenue is recognised over time if any of the following three criteria are met:

- a. the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- b. the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c. the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the criteria for satisfying a performance obligation over time are met. The guidance on control should be considered, to determine when the performance obligation is satisfied by transferring control of the good or service to the customer. In addition, there are five indicators that a customer has obtained control of an asset:

- The entity has a present right to payment.
- The customer has legal title.
- The customer has physical possession.
- The customer has the significant risks and rewards of ownership.
- The customer has accepted the asset. [IFRS 15 para 38]

Based on the indicators above, Cordia Group recognizes revenue based on date of transferring the control of the properties to the customers. Please see the detailed accounting policy in Note 3 (e) about critical judgments.

### **Other considerations**

Cordia Group capitalises the incremental costs of obtaining a contract with a customer if it expects to recover those costs. However, costs to obtain a customer do not include payments to customers.

Cordia Group capitalizes variable sales commission of real estate agents in case those commissions can be directly linked to the specific sales contract. Capitalized sales commission is recognized as other asset and reversed to selling and marketing expenses upon transferring the property to the customer and recording the revenue.

Advances received related to pre-sales of residential units, which represent deferred income, are deferred when they do not meet the criteria to be recognized as revenue. When they subsequently meet these criteria, they are recognized as revenue.

Other revenues include rental income, service charges and management charges from properties. Revenue from service and management charges is measured at the fair value of the consideration received or receivable, and amounts disclosed as net of rebates and VAT.

Rental income from operating leases is recognized on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income. Revenues from the early termination of operating leases recognized at the date of occurrence.

**(c) Financial instruments**

As described previously, the Group applies IFRS 9 for accounting of financial instruments from 1 January 2018. Management assessed the differences between IAS 39 and IFRS 9 and identified that transition to IFRS 9 had no significant impact on the consolidated financial statements.

**Classification and measurement**

**Financial assets**

All financial assets under IFRS 9 are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument.

IFRS 9 has two measurement categories: amortised cost and fair value. Movements in fair value are presented in either profit or loss or other comprehensive income (OCI), subject to certain criteria being met, as described below.

If the financial asset is a debt instrument (or does not meet the definition of an equity instrument in its entirety), management should consider the following assessments in determining its classification:

- The entity's business model for managing the financial asset.
- The contractual cash flows characteristics of the financial asset.

A financial asset should be subsequently measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding; 'principal' and 'interest'.

A financial asset should be subsequently measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both holding financial assets in order to collect contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

If the financial asset does not pass the business model assessment and SPPI criteria, or the fair value option is applied it is measured at FVTPL. This is the residual measurement category.

Cordia Group's business model refers to how an entity manages its financial assets in order to generate cash flows. IFRS 9 prescribes two business models: holding financial assets to collect contractual cash flows; and holding financial assets to collect contractual cash flows and selling. FVTPL is the residual category which is used for financial assets that are held for trading or if a financial asset does not fall into one of the two prescribed business models.

Investments in equity instruments are always measured at fair value. Equity instruments that are held for trading (including all equity derivative instruments, such as warrants and rights issues) are required to be classified at FVTPL, with dividend income recognised in profit or loss.

For all other equities within the scope of IFRS 9, management has the ability to make an irrevocable election on initial recognition, on an instrument-by-instrument basis, to present changes in fair value in OCI rather than profit or loss.

Cordia Group's financial assets are debt instruments that are measured at amortized cost because those are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and contractual term of the financial asset gives rise to cash flows that pass the SPPI test.

## **Financial liabilities**

Cordia Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. It is, therefore, necessary to measure those contractual rights and obligations on initial recognition.

All financial liabilities in IFRS 9 are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability.

There are two measurement categories for financial liabilities: fair value, and amortised cost. Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL or an entity has opted to measure a liability at FVTPL.

Trade receivables that do not have a significant financing component are initially measured at their transaction price. A similar concept is commonly applied to short-term trade payables where the effect of discounting would be immaterial, consistent with the requirements of paragraph 8 of IAS 8.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

The amortised cost of a financial asset or financial liability is defined as the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

All the financial liabilities of the Group are kept at amortized cost.

## ***Offsetting financial assets and financial liabilities***

Financial assets and liabilities are offset and presented in the statement of financial position as a net amount when the Group currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## ***Impairment of financial assets***

Cordia Group applies IFRS 9 impairment model to:

- investments in debt instruments measured at amortised cost;
- investments in debt instruments measured at fair value through other comprehensive income (FVOCI);
- all loan commitments not measured at fair value through profit or loss;
- financial guarantee contracts to which IFRS 9 is applied and that are not accounted for at fair value through profit or loss; and
- lease receivables that are within the scope of IAS 17, 'Leases', trade receivables and contract assets within the scope of IFRS 15 that give rise to a conditional right to consideration.

The model does not apply to investments in equity instruments.

The entity follows the rules of IFRS 9 outlines a 'three-stage' model ('general model') for impairment based on changes in credit quality since initial recognition:

- Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that (at the option of the entity) have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset, weighted by the probability that the loss will occur in the next 12 months.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date and this option is taken by the entity) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are the ECL that result from all possible default events over the maximum contractual period during which the entity is exposed to credit risk. ECL are the weighted average credit losses, with the respective risks of a default occurring as the weights.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).

Many of the Group's financial assets are inter-company loans within the scope of IFRS 9 might not require a material impairment provision to be recognised, because:

- they are repayable on demand and the lender expects to be able to recover the outstanding balance of the loan if demanded;
- they are low credit risk, so 12-month expected credit losses can be calculated, which might not be material; or
- they have not had a significant increase in credit risk since the loan was first recognised, or have a remaining life of less than 12 months, so 12-month expected credit losses are calculated, which, as noted above, might not be material.

Where inter-company loans do not meet any of the three criteria above, lifetime expected credit losses will need to be calculated, which are more likely to give rise to a material impairment provision.

For trade receivables, contract assets and lease receivables Cordia Group applies simplifications eliminate the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred.

For trade receivables or contract assets that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. As a practical expedient, a provision matrix is used to estimate ECL for these financial instruments

#### **(d) Trade and other receivables**

Financial assets recognized in the consolidated statement of financial position as trade receivables are recognized initially at fair value and subsequently measured at amortized cost calculated with the effective interest rate less provision for impairment.

#### **(e) Receivables from related parties**

Financial assets recognized in the consolidated statement of financial position as receivables from related parties consist of contract amount receivable in the normal business activity for goods and services, as well as loans granted to affiliates. Receivables from related parties are recognized initially at fair value and subsequently measured at amortized cost calculated with the effective interest rate less provision for impairment. Receivables from related parties are classified as current assets if the payment term is less than 12 months, in any other cases they are classified as non-current assets.

#### **(f) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial positions comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, except for collateralized deposits.

The overdrafts are shown in current liabilities in borrowings line.

**(g) Trade and other payables**

Trade payables are contract amount payable in the normal business activity for goods and services. Trade payables are classified as current liabilities if the payment term is less than 12 months, in any other cases they are classified as non-current liability.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(h) Liabilities to related parties**

Liabilities to related parties are contract amount payable in the normal business activity for goods and services, as well as loans payable to affiliates. Liabilities to related parties are classified as current liabilities if the payment term is less than 12 months, in any other cases they are classified as non-current liability.

Liabilities to related parties are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**(i) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down (and should be calculated with in the effective interest calculation and the amortized cost of the loan). In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

**(j) Property and equipment**

***i. Recognition and measurement***

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

***ii. Depreciation***

Depreciation is calculated on the straight-line basis over the estimated useful life of each component of an item of property and equipment.

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

- Buildings: 50 years;
- Equipment's: 7 years;
- Fixtures and fittings: 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted prospectively since the beginning of the following year, if appropriate.

#### **(k) Leases**

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

#### **(l) Inventories of residential units**

Inventories consist of multi-family residential real estate projects to individual customers.

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes expenditure incurred relating to the construction of a project. Costs relating to the construction of a project are included in inventories of residential units as follows: costs incurred relating to projects or a phase of a project which are not available for sale (work in progress), costs incurred relating to units unsold associated with a project.

Project construction costs include:

- land or leasehold rights for land;
- construction costs paid to the general contractor building the residential project;
- planning and design costs;
- perpetual usufruct fees and real estate taxes incurred during the period of construction;
- borrowing costs to the extent they are directly attributable to the development of the project (see accounting policy (q));
- professional fees attributable to the development of the project;
- construction overheads and other directly related costs.

Inventory is recognized as a cost of sales in the statement of comprehensive income when the sale of residential units is recognized.

#### **(n) Impairment of non-financial assets**

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or a cash generating unit's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(o) Equity**

*i. Share capital*

Share capital includes the proceeds received from the issue of ordinary shares on the nominal value in exchange for cash.

*ii. Share premium*

Share premium includes the excess of proceeds received from the issue of shares over the nominal value of shares. Shares issuance costs are deducted from the share premium.

**(p) Dividend distribution**

Dividend distribution to the parent company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved.

**(q) Borrowing costs**

Borrowing costs directly attributable to the inventory of properties which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of the respective assets.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized equals the gross interest incurred on those borrowings. Interest is capitalized as from the commencement of the development work until the date of completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**(r) Interest income and expense**

Interest income and expense are recognized within 'finance income' and 'finance expense' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalized as part of the cost of that asset. The Group has chosen to capitalize borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not. Properties built in residential property development projects are considered to be qualifying assets for the Group.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**(s) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in other comprehensive income or equity - in which case, the tax is also recognized in other comprehensive income or equity.

The Group based on the operation of the mother company considers the following taxes as income tax defined by IAS 12:

- corporate income tax;
- local trade tax;
- innovation duty.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group established a tax-efficient legal structure, as the SPVs (property development funds) are not obliged to pay income taxes under the current laws and regulations, therefore the Group's effective tax rate is low (please see effective tax reconciliation in Note 14).

#### **(t) Fair Value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);



- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## **5. Adoption of new and revised Standards**

### **A) New and amended standards adopted by the group**

- IFRS 9 “Financial Instruments: Classification and Measurement” (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:
  - Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
  - Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The adoption of IFRS 9 has no significant impact on the consolidated financial statements, because:

- All the financial assets and financial liabilities will continue to be recorded at amortized cost using the effective interest rate method. Therefore there will be no difference arising regarding classification and measurement of financial instruments.
- Entities within group does not have material third-party receivables. Financial assets consist mainly of cash and cash equivalents; restricted deposits at banks and related party loans. Management believes that expected credit loss arising on these items is immaterial, therefore no adjustment is made as a result of transition to IFRS 9.
- The group does not have any derivatives.

In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

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01.01.2018	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
<b>Non-current financial asset</b>					
Long-term receivables from related parties	Amortized cost	Amortized cost	1,050,379	1,050,379	0
Loans receivables from third parties	Amortized cost	Amortized cost	11,493	11,493	0
Restricted Cash	Amortized cost	Amortized cost	5,483,415	5,483,415	0
<b>Current financial assets</b>					
Securities	Fair value through profit or loss	Fair value through profit or loss	30,119	30,119	0
Restricted Cash	Amortized cost	Amortized cost	2,720,115	2,720,115	0
Short-term receivables from related parties	Amortized cost	Amortized cost	1,807,482	1,807,482	0
Trade and other receivables	Amortized cost	Amortized cost	332,278	332,278	0
Cash and cash equivalents	Amortized cost	Amortized cost	9,971,253	9,971,253	0
<b>Non-Current financial liabilities</b>					
Loans and borrowings	Amortized cost	Amortized cost	5,746,281	5,746,281	0
Long-term liabilities to related parties	Amortized cost	Amortized cost	2,441,517	2,441,517	0
<b>Current financial liabilities</b>					
Trade and other payables	Amortized cost	Amortized cost	2,837,287	2,837,287	0
Loans and borrowings	Amortized cost	Amortized cost	735,812	735,812	0
Short-term liabilities to related parties	Amortized cost	Amortized cost	3,284,215	3,284,215	0

- IFRS 15 “Revenue from customers”: Please refer to Note 3 (e)
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016, the EU has endorsed the interpretation on 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof ) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognizes a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary.

Some projects have been completed, so the relating revenues are recognized in compliance with the new methodology. Since the majority of the invoicing has the same currency as the functional currency of the entities, the application of IFRIC 22 has no significant impact on the financial statements.

**B) Impact of standards issued but not yet applied by the Group**

- IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.

All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases (The Group is presenting operating lease commitments according to IAS 17 in Note 19.) As at the reporting date, the group has non-cancellable operating lease commitments of approximately HUF 1 800 000 thousand. However, this is just an estimation and the group has not yet determined to what extent these commitments will result concretely in the recognition of an asset and a liability for future payments and how this will affect factually the group's profit and classification of cash flows.

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## 6. Revenue

For the year ended 31 December	2018	2017
<i>In thousands of Hungarian Forints (THUF)</i>		
Revenue from sale of real estate	16,885,450	3,658,871
Other revenue	2,968,556	3,259,270
<b>Total revenue</b>	<b>19,854,006</b>	<b>6,918,141</b>

Revenue from sales of real estate is recognized at point in time and consists of sale of residential units and related parking lots and storage, while other revenue includes revenues from rental and service charge, as well as assignment fees for the purchase right of a land plot, which – in majority – are recognized over time.

The Group finished three projects in Hungary and one in Poland and started to hand over the apartments to its customers in 2018. The Group has not completed, nor delivered to its clients, any residential projects during 2017.

Please refer also to note 20 about related party transactions.

For the period ended 31 December 2018	2018
<i>In thousands of Hungarian Forints (THUF)</i>	
<b>Opening balance of capitalized variable sales commissions</b>	<b>306,495</b>
Increase in contract assets	281,269
Amortization of contract assets	(161,591)
<b>Closing balance of capitalized variable sales commissions</b>	<b>426,173</b>

Please refer also to note 15(e) about contract liabilities, note 19 about the contracted sales and note 26 about the sales breakdown by segment.

## 7. Cost of sales

For the year ended 31 December	2018	2017
<i>In thousands of Hungarian Forints (THUF)</i>		
Cost of sales of main activities	11,920,952	2,660,741
Cost of sales of other revenue	228,703	278,370
<b>Total cost of sales</b>	<b>12,149,655</b>	<b>2,939,111</b>

Cost of sales of other revenue consists of service charge costs and depreciation of the investment properties. Selling investment property was a one-off item in the previous year, which contributed most of the cost of sales of other revenue balance. No such transaction occurred during 2018.

## 8. Selling and marketing expenses

For the year ended 31 December	2018	2017
<i>In thousands of Hungarian Forints (THUF)</i>		
Advertising	1,245,256	704,853
Sales and other	711,535	436,682
<b>Total selling and marketing expenses</b>	<b>1,956,791</b>	<b>1,141,535</b>

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The majority of selling and marketing expenses is related to advertising residential properties under construction. Sales and other costs includes all the sales costs not directly related and not incremental to a specific customer contract. Incremental sales bonuses are capitalized as "Other long-term assets" in an amount of THUF 426,173 as of 31 December 2018 (THUF 306,495 as of 31 December 2017).

**9. Administrative expenses**

<b>For the year ended 31 December</b>	<b>2018</b>	<b>2017</b>
<i>In thousands of Hungarian Forints (THUF)</i>		
Personnel expenses and external services	1,366,235	1,522,148
Materials and energy	46,579	35,385
Depreciation	154,930	124,108
Bank fees and other charges	61,516	178,456
<b>Total administrative expenses</b>	<b>1,629,260</b>	<b>1,860,097</b>

Personnel expenses are related to staff of the Hungarian, Polish and the Romanian management companies (Cordia Management Szolgáltató Kft., Futureal Management Poland Sp. Z.o.o. and Cordia Development Services Srl.). This does not include construction and engineering staff costs, which are capitalized as inventory.

**10. Breakdown of expenses by nature**

<b>For the year ended 31 December</b> <i>In thousands of Hungarian Forints (THUF)</i>	<b>2018</b>	<b>2017</b>
Employee benefits expenses	481,838	1,317,088
Material type expenditures	2,949,283	1,560,436
Depreciation and amortization	154,930	124,108
<b>Total</b>	<b>3,586,051</b>	<b>3,001,632</b>

**11. Other expenses**

<b>For the year ended 31 December</b> <i>In thousands of Hungarian Forints (THUF)</i>	<b>2018</b>	<b>2017</b>
Taxes	152,182	106,752
Fines, penalties, default interest and compensation	189,189	0
Other	268,613	5,937
<b>Total other expense</b>	<b>609,984</b>	<b>112,689</b>

**12. Other income**

<b>For the year ended 31 December</b> <i>In thousands of Hungarian Forints (THUF)</i>	<b>2018</b>	<b>2017</b>
Net gain (loss) on non-current asset held for sale and investment property sold	0	1,140,694
Other	19,570	9,011
<b>Total other income</b>	<b>19,570</b>	<b>1,149,705</b>

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**13. Finance income and expense**

<b>For the year ended 31 December 2018</b>	
<i>In thousands of Hungarian Forints (THUF)</i>	<b>Total amount</b>
Interest income	294,912
Other finance income	961,613
<b>Finance income</b>	<b>1,256,525</b>
Interest expense	35,531
Other finance expense	1,101,313
<b>Finance expense</b>	<b>1,356,844</b>
<b>Net finance income / (expense)</b>	<b>119,681</b>

<b>For the year ended 31 December 2017</b>	
<i>In thousands of Hungarian Forints (THUF)</i>	<b>Total amount</b>
Interest income	115,292
Other finance income	820,377
<b>Finance income</b>	<b>935,669</b>
Interest expense	214,517
Other finance expense	619,285
<b>Finance expense</b>	<b>833,802</b>
<b>Net finance income / (expense)</b>	<b>101,867</b>

Other finance income and cost is mainly related to realized foreign exchange differences on borrowing and trade payables.

Please refer to Note 16(a) about loans granted to related parties, which generates most of the interest income. Interest expense is recognized mainly for bank and related party loans. Please also refer to Note 16(d) about loans and Note 16(e) about liabilities to related parties.



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**14. Income tax**

For the year ended 31 December	2018	2017
<i>In thousands of Hungarian Forints (THUF)</i>		
<b>Current tax</b>		
Current period	245,489	91,640
Taxation in respect of previous periods	0	0
<b>Total current tax expense / (benefit)</b>	<b>245,489</b>	<b>91,640</b>
<b>Deferred tax</b>		
Origination and (reversal) of temporary differences	21,227	103,644
Tax losses utilized / (recognized)	0	8,747
<b>Total deferred tax expense / (benefit)</b>	<b>21,227</b>	<b>112,391</b>
<b>Total income tax expense / (benefit)</b>	<b>266,616</b>	<b>204,031</b>

**Reconciliation of effective tax rate**

For the year ended 31 December	2018	2017
<i>In thousands of Hungarian Forints (THUF)</i>		
Profit / (loss) for the year	3,389,536	1,912,250
Total income tax expense / (benefit)	266,616	204,031
<b>Profit / (loss) before income tax</b>	<b>3,656,152</b>	<b>2,116,281</b>
<b>Expected income tax using the Hungarian tax rate (9%)</b>	<b>305,058</b>	<b>190,465</b>
<b>Tax effect of:</b>		
Impact of other income taxes <sup>2</sup>	49,466	44,621
Non-taxable profit <sup>3</sup>	(126,867)	(91,555)
Other differences <sup>4</sup>	38,959	60,500
<b>Tax expense for the period</b>	<b>266,616</b>	<b>204,031</b>
<b>Effective tax rate</b>	<b>7%</b>	<b>10%</b>

<sup>2</sup> This line mainly includes the impact of Hungarian local business tax, which is also classified as income tax based on IAS 12.

<sup>3</sup> Hungarian investments funds are not subject to income tax.

<sup>4</sup> Other differences contain non deductible expenses, impacts of different tax rates used at foreign entities, change in tax rate in Hungary in 2017 and foreign exchange differences. None of these items are material separately.

## 15. Non-financial assets and liabilities

This note provides information about the group's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability:

- Intangible assets (note 15(a))
- Property, plant and equipment (note 15(b))
- Inventories (note 15(c))
- Other assets (note 15(d))
- Customer advances (note 15(e))
- Other tax receivables (note 15(f))
- Other long-term liabilities (note 15(g)).

### 15.(a) Intangible assets

For the year ended 31 December 2018	Software	Intellectual property and rights	Total
<i>In thousands of Hungarian Forints (THUF)</i>			
<b>Cost or deemed cost</b>			
Balance at 1 January	15,502	142,963	158,465
Additions	9,117	96,717	105,834
Sales and disposals	(5,186)	(2,329)	(7,515)
<b>Closing balance</b>	<b>19,433</b>	<b>237,351</b>	<b>256,784</b>
<b>Depreciation and impairment losses</b>			
Balance at 1 January	3,930	17,547	21,477
Depreciation for the period	7,347	42,510	49,857
Sales and disposals	(1,293)	(1,113)	(2,406)
<b>Closing balance</b>	<b>9,984</b>	<b>58,944</b>	<b>68,928</b>
<b>Carrying amounts</b>			
At 1 January	11,572	125,416	136,988
<b>Closing balance</b>	<b>9,449</b>	<b>178,407</b>	<b>187,856</b>

The increase in intangible assets consists of the normal office software and the implementation of IT systems.. All intangible assets has finite useful lives and they are amortized using the straight-line method. Average useful life is 3 years.

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## 15.(b) Property and equipment

For the year ended 31 December 2018 <i>In thousands of Hungarian Forints (THUF)</i>	Buildings	Machinery and vehicles	Furniture, fittings and equipment	Assets under construction	Total
<b>Cost or deemed cost</b>					
Balance at 1 January	264,320	45,983	373,218	0	683,521
Additions	84,027	6,837	112,916	210,797	414,577
Sales and disposals	0	0	(6,705)	0	(6,705)
Capitalization	0	0	0	(203,780)	(203,780)
<b>Closing balance</b>	<b>348,347</b>	<b>52,820</b>	<b>479,429</b>	<b>7,017</b>	<b>887,613</b>
<b>Depreciation and impairment losses</b>					
Balance at 1 January	8,073	12,210	99,249	0	119,532
Depreciation for the period	17,460	3,064	80,766	0	101,290
Sales and disposals	0	0	(3)	0	(3)
<b>Closing balance</b>	<b>25,533</b>	<b>15,274</b>	<b>180,022</b>	<b>0</b>	<b>220,829</b>
<b>Carrying amounts</b>					
At 1 January	256,247	33,773	273,969	0	563,989
<b>Closing balance</b>	<b>322,814</b>	<b>37,546</b>	<b>299,407</b>	<b>7,017</b>	<b>666,784</b>

## Impairment loss

In the years ended 31 December 2018 and 31 December 2017, the Group did not recognize any impairment loss with respect to property and equipment.

## 15.(c). Inventory

For the year ended 31 December 2018

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Opening balance 01.01.2018</b>	<b>Closing balance 31.12.2018</b>
<i>Borrowing costs</i>	768,622	802,936
<i>Construction costs</i>	13,843,132	21,486,689
<i>Acquisition</i>	11,898,011	11,058,613
<i>Lands</i>	7,453,253	12,789,776
<i>Engineering and construction fees</i>	1,380,158	3,359,331
<i>Planning</i>	1,521,792	2,094,340
<i>Other</i>	260,239	629,647
<b><i>Work in progress</i></b>	<b>37,125,207</b>	<b>52,221,332</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Opening balance 01.01.2018</b>	<b>Closing balance 31.12.2018</b>
<b><i>Finished goods</i></b>	<b>236,773</b>	<b>6,424,014</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Opening balance 01.01.2018</b>	<b>Closing balance 31.12.2018</b>
<b><i>Goods for resale</i></b>	<b>0</b>	<b>67,960</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Opening balance 01.01.2018</b>	<b>Closing balance 31.12.2018</b>
<b><i>Advances for delivery of goods</i></b>	<b>174,724</b>	<b>0</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Opening balance 01.01.2018</b>	<b>Closing balance 31.12.2018</b>
<b><i>Write-down</i></b>	<b>0</b>	<b>0</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Opening balance 01.01.2018</b>	<b>Closing balance 31.12.2018</b>
<b><i>Total inventories at the lower of cost or net realizable value</i></b>	<b>37,536,704</b>	<b>58,713,306</b>

### Write-down revaluating the inventory:

The company internally assessed the net realizable value of the inventory and decreased the value when the net realizable value was lower than the cost amount. In view of the situation in the Hungarian, Polish and Romanian property market in which the Group operates, during the year ended 31 December 2018 and 31 December 2017 the Group performed an inventory review with regard to its valuation to net realizable value based on the valuation report issued by the independent property valuation expert. As a result, during the years ended 31 December 2018 and 31 December 2017, the Group did not made any write-down adjustment. The Group examined a possible write-down on inventory for each project separately, according to the projection of revenues net of cost of sales.

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Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The valuation of inventory is as follows:

<b>As at 31 December</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
Net realizable value exceeding cost	58,713,306	37,536,704
Valued at net realizable value*	0	0
<b>Total inventory</b>	<b>58,713,306</b>	<b>37,536,704</b>

\*These inventories had to be impaired to net realizable value since their costs exceeded their net realizable value.

For information about future commitments to the general contractor for construction services related to inventory construction, see Note 19.

Inventory is pledged and used to secure bank loans. Please refer to note 16(d) about the pledging.

#### **15.(d) Other assets**

	<b>31.12.2018</b>	<b>31.12.2017</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
VAT receivables related customer advances	242,616	1,505,296
Advances and prepayments made for inventories	0	277,809
Advances and prepayments made for services	33,985	2,272
Prepaid expenses	844,590	497,104
<b>Total closing balance</b>	<b>1,121,191</b>	<b>2,282,481</b>
<b>Closing balance includes:</b>		
Other long-term assets	819,992	1,859,010
Other short-term assets	301,199	423,471
<b>Total closing balance</b>	<b>1,121,191</b>	<b>2,282,481</b>

Based on the Hungarian legislation, in case advances from customers, VAT<sup>5</sup> shall be paid by the Company upon receiving the advance from the customer. This amount is shown as other asset and it is deductible from the VAT payable upon invoicing the final invoice to the customer (i.e. upon handing over the finished apartments). Since finalizing the construction projects takes more than one year, the VAT related to project to be completed after 31 December 2018 is classified as non-current. Balances presented as other assets are not a financial assets based on IFRS 9.

<sup>5</sup> generally VAT is 5% for these type of properties in Hungary

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**15.(e) Customer advances received**

The table below presents the breakdown of customer advances received by projects:

	31.12.2018	31.12.2017
<i>In thousands of Hungarian Forints (HUF)</i>		
Villena	28,865	1,694,189
Cordia Development 1 Alap	1,718,788	5,223,591
Cordia Development 2 Alap	2,217,585	3,342,709
Cordia Global 1 Alap	3,272,616	3,392,945
Cordia Global 2 Alap -	6,754,793	4,006,884
Cordia Global 3 Alap	2,998,061	2,018,063
Cordia Global 4 Alap	4,059,227	1,915,267
Cordia Global 5 Alap	696,197	119,950
Cordia Global 7 Alap	5,515,641	2,212,259
Cordia Global 8 Alap	2,164,264	1,431,875
Cordia Global 9 Alap	317,684	117,173
Cordia Global 10 Alap	362,959	0
Cordia Global 11 Alap	1,353,576	0
Cordia Global 12 Alap	397,942	0
Cordia Global 17 Alap	184,279	0
Cordia Global 18 Alap	145,137	0
Cordia FM Társasházkezelő Kft	37,459	0
Cordia Corarilor Development SRL	15,546	0
Cordia Wrocław I Sp. Z o.o.	2,347,030	45,963
Projekt Warszawa 1 Cordia Poland GP One	1,176,157	7,065
<b>Total closing balance</b>	<b>35,763,806</b>	<b>25,527,933</b>
<b>Closing balance includes:</b>		
Current liabilities	28,127,855	20,190,907
Non-current liabilities	7,635,951	5,337,026
<b>Total closing balance</b>	<b>35,763,806</b>	<b>25,527,933</b>

**For the year ended**

**2018**

*In thousands of Hungarian Forints (THUF)*

<b>Opening balance of customer advances</b>	<b>25,527,933</b>
Increase in contract liabilities from customer advances received for not completed performance obligations	16,651,453
Revenue recognised that was included in the contract liability balance at the beginning of the period	(6,415,580)
<b>Closing balance of customer advances</b>	<b>35,763,806</b>

**15.(f) Other tax receivables**

Other tax receivables contains each year the receivables coming from different non-income tax type of taxes. The majority is VAT, balances from other taxes are not material. Since the Companies paid significant input VAT for their purchases and currently output VAT is not significant,

VAT related to customer advances is presented separately under the line of "other current assets", please refer also to Note 15(d).

**15.(g) Other long-term liabilities**

Other long-term liabilities include trade payables due after one year from the balance sheet date. It is highly common in the construction industry, that suppliers assume warranty for their work for a certain period of time. Based on the contracts, certain payments are due only after the expiration of the warranty period. The general warranty period is between 1-2 years, therefore the time value of the money is considered to be highly immaterial.

## 16. Financial assets and financial liabilities

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument.

The group holds the following financial instruments:

**For the year ended 31 December 2018:**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Financial assets at FV through P/L</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
<b>Non-current financial assets</b>			
Long-term receivables from related parties	0	1,150,746	<b>1,150,746</b>
Loans receivables from third parties	0	8,426	<b>8,426</b>
Restricted Cash	0	10,869,940	<b>10,869,940</b>
<b>Current financial assets</b>			
Securities	29,553	0	<b>29,553</b>
Restricted Cash	0	240,281	<b>240,281</b>
Short-term receivables from related parties	0	4,359,861	<b>4,359,861</b>
Trade and other receivables	0	192,521	<b>192,521</b>
Cash and cash equivalents	0	12,289,550	<b>12,289,550</b>
<b>Total financial assets</b>	<b>29,553</b>	<b>29,111,325</b>	<b>29,140,878</b>

**For the year ended 31 December 2018**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	4,829,609	<b>4,829,609</b>
Long-term liabilities to related parties	2,691,668	<b>2,691,668</b>
<b>Current financial liabilities</b>		
Trade and other payables	4,670,744	<b>4,671,734</b>
Loans and borrowings	5,239,689	<b>5,239,689</b>
Short-term liabilities to related parties	4,862,043	<b>4,862,043</b>
<b>Total financial liabilities</b>	<b>22,293,753</b>	<b>22,293,753</b>



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**For the year ended 31 December  
2017:**

<i>n thousands of Hungarian Forints (HUF)</i>	<b>Financial assets at FV through P/L</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
<b>Non-current financial assets</b>			
Long-term receivables from related parties	0	1,050,379	1,050,379
Loans receivables from third parties	0	11,493	11,493
Restricted Cash	0	5,483,415	5,483,415
<b>Current financial assets</b>			
Securities	30,119	0	30,119
Restricted Cash	0	2,720,115	2,720,115
Short-term receivables from related parties	0	1,807,482	1,807,482
Trade and other receivables	0	332,278	332,278
Cash and cash equivalents	0	9,971,253	9,971,253
<b>Total financial assets</b>	<b>30,119</b>	<b>21,376,415</b>	<b>21,406,534</b>

**For the year ended 31 December 2017**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
<b>Non-current financial liabilities</b>		
Loans and borrowings	5,746,281	5,746,281
Long-term liabilities to related parties	2,441,517	2,441,517
<b>Current financial liabilities</b>		
Trade and other payables	2,837,287	2,837,287
Loans and borrowings	735,812	735,812
Short-term liabilities to related parties	3,284,215	3,284,215
<b>Total financial liabilities</b>	<b>15,045,112</b>	<b>15,045,112</b>

**16.(a) Receivables from related parties**

The table below presents the breakdown of receivables from the related parties:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
Trade receivables	36,448	72,752
Loan receivables	4,343,378	2,678,363
Accrued interest receivables	235,824	4,938
Accrued expenses	246,836	44,370
Accrued revenue	372,214	46,877
Other receivables	275,907	10,561
<b>Total closing balance</b>	<b>5,510,607</b>	<b>2,857,861</b>
<b>Closing balance includes:</b>		
Current assets	1,150,746	1,807,482
Non-current assets	4,359,861	1,050,379
<b>Total closing balance</b>	<b>5,510,607</b>	<b>2,857,861</b>

The table below presents the movement in loans granted to related parties:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
<b>Opening balance</b>	<b>2,678,363</b>
Loans granted (short-term)	2,678,363
Loans granted (long-term)	1,924,511
Loans repaid	(3,078)
Impact of acquisition	(315,317)
Revaluation	(74,716)
Other	93,024
<b>Total closing balance</b>	<b>4,343,378</b>

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
HUF	380,331	140,859
EUR	604,322	1,399,397
PLN	4,525,898	1,317,605
RON	56	0
<b>Total closing balance</b>	<b>5,510,607</b>	<b>2,857,861</b>

The table below presents the conditions of the most significant related party loan agreements:

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**As of 31 December 2018**

*In thousands of Hungarian Forints (HUF)*

Counterparty	Balance	Maturity	Interest rate	Currency
Related Party	1 084 815	2022.12.31	EURIBOR 3M + 3,2%	EUR
Related Party	3 258 563	on demand	WIBOR 1M +3,0%	PLN

**As of 31 December 2017**

*In thousands of Hungarian Forints (HUF)*

Counterparty	Balance	Maturity	Interest rate	Currency
Related Party	1 050 379	2022.12.31	EURIBOR 3M + 3,2%	EUR

**16.(b) Trade and other receivables**

The table below presents the breakdown of trade and other receivables:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>Gross trade receivables</b>	87,029	26,133
Decreased by impairment	(6,950)	0
<b>Net trade receivables</b>	<b>80,079</b>	<b>26,133</b>
Vendor overpayment	37,357	143,490
Accrued revenue	150	153,191
Other receivables	73,935	9,464
<b>Total trade and other receivables</b>	<b>191,521</b>	<b>332,278</b>

**Classification as trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The group's impairment and other accounting policies for trade and other receivables are outlined in different notes respectively.

**Other receivables**

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

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The following tables presents the maturity of trade receivables:

<i>In thousands of Hungarian Forints (HUF)</i>			<b>31.12.2017</b>
<b>Trade receivables</b>			
Overdue	Not	5,100	19,52 %
	1-30 days	8,079	30,91 %
	31-90 days	2,503	9,58 %
	91-364 days	9,741	37,27 %
	365+ day	710	2,72 %
<b>Total closing balance</b>		<b>26.133</b>	<b>100 %</b>

<i>In thousands of Hungarian Forints (HUF)</i>		<b>31.12.2018</b>
<b>Trade receivables</b>		
Overdue	Not	80,079
	1-30 days	0
	31-90 days	0
	91-364 days	0
	365+ day	6,950
<b>Total closing balance</b>		<b>87,029</b>

<b>As at 31 December</b>		
<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
Opening	<b>0</b>	<b>653</b>
Impairment loss	6,950	0
Reversal of impairment	0	(653)
<b>Closing impairment balance</b>	<b>6,950</b>	<b>0</b>

As at 31 December 2018 the Group has allowance for doubtful debts in the amount of HUF 6,950 thousand. As at 31 December 2017 the Group had no allowance for doubtful debts.

During the year ended 31 December 2018, the Group wrote down an amount of HUF 6,950 thousand, respectively as irrecoverable debts included in trade and other receivables.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
HUF	140,872	300,136
EUR	11,642	304
PLN	38,630	31,838
RON	647	0
<b>Total closing balance</b>	<b>191,521</b>	<b>332,278</b>

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**16.(c) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits freely available for the Group. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits have a duration varying between one day and three months depending on the immediate cash requirements of the Group. As at 31 December 2018 and 31 December 2017, they earn interest at the respective short-term deposit rates.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
Cash at bank and in hand	12,289,550	9,941,859
Short-term deposit	0	29,394
<b>Total cash and cash equivalents</b>	<b>12,289,550</b>	<b>9,971,253</b>

The total amount of cash and cash equivalents was denominated in the following currencies:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
EUR	1,630,604	1,736,136
USD	4,898	102
PLN	1,650,138	1,037,033
HUF	8,994,679	7,197,753
RON	9,231	74
ILS	0	155
<b>Total cash and cash equivalents</b>	<b>12,289,550</b>	<b>9,971,253</b>

The Group minimizes its credit risks by holding its funds in financial institutions with high credit ratings as follows\*:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
A	4,982,613	5,512,268
A-	1,101,760	1,970
AA-	436,822	1,271,554
BBB+	413,901	870,454
BBB	1,063,601	648,892
BBB-	2,010,981	1,465,430
BB+	2,255,312	196,654
Cash at hand	24,560	4,031
<b>Total cash and cash equivalents</b>	<b>12,289,550</b>	<b>9,971,253</b>

\*The presented credit ratings are based on S&P's long-term ratings

For information about the fair value of cash and cash equivalents see Note 17.

There is no pledge over cash and cash equivalents see.

#### 16.(d) Loans and borrowings

The table below presents the movement in loans and borrowings from third parties:

<b>For the year ended 31 December</b>	<b>2018</b>
<i>In thousands of Hungarian Forints (HUF)</i>	
<b>Opening balance</b>	<b>6,482,075</b>
Acquisitions	0
New bank loan drawdown	16,108,315
Loan repayments	(12,584,290)
Other changing (FX, other correction)	63,198
<b>Total closing balance</b>	<b>10,069,298</b>
	<b>31.12.2018</b>
	<b>31.12.2017</b>
<b>Closing balance includes:</b>	
Current liabilities	5,239,689
Non-current liabilities	4,829,609
<b>Total closing balance</b>	<b>10,069,298</b>
	<b>6,482,075</b>
<i>In thousands of Hungarian Forints (HUF)</i>	
	<b>31.12.2018</b>
	<b>31.12.2017</b>
HUF	7,668,640
EUR	669,315
PLN	1,731,343
<b>Total closing balance</b>	<b>10,069,298</b>
	<b>6,482,075</b>

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**Conditions of significant loans and borrowings:**

**Loans related to the Hungarian entities:**

**As of 31 December 2018**

	Bank	Loan currency	Maturity	Interest %	31.12.2018  Withdrawn	Real estate property mortgage	Covenant breached?
Cordia Development 2 Fund	Takarék Bank	HUF	2020.10.08	1 month BUBOR + margin	1,152,186	Yes	NO
Cordia Development 2 Fund	Takarék Bank	HUF	2020.10.08	1 month BUBOR + margin	50,114		
Cordia Global 3 Fund	Takarék Bank	HUF	2019.12.21	1 month BUBOR + margin	2,006,176	Yes	NO
Cordia Global 3 Fund	Takarék Bank	HUF	2019.12.21	1 month BUBOR + margin	33,863		
Cordia Global 4 Fund	Unicredit	HUF	2020.05.29	3 month BUBOR + margin	2,246,007	Yes	NO
Cordia Global 4 Fund	Unicredit	HUF	2020.05.29	3 month BUBOR + margin	231,819		
Cordia Global 5 Fund	Takarék Bank	HUF	2020.11.26	1 month BUBOR + margin	211,414	Yes	NO
Cordia Global 5 Fund	Takarék Bank	HUF	2020.11.26	1 month BUBOR + margin	2,394		
Cordia Global 7 Fund	OTP Bank	HUF	2020.03.20	1 month BUBOR + margin	422,116	Yes	NO
Cordia Global 8 Fund	OTP Bank	HUF	2020.03.20	1 month BUBOR + margin	1,312,550	Yes	NO
Cordia Global 8 Fund	OTP Bank	HUF	2020.03.20	1 month BUBOR + margin	0	Yes	NO
Sasad Resort 2	Hungarian Real Estate Financing Zrt	EUR	2019.06.30	1 month BUBOR + margin	669,315	Yes	NO

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**As of 31 December 2017**

Company	Bank	Loan currency	Maturity	Interest %	31.12.2017	Real estate property mortgage	Covenant breached?
					Withdrawn		
Cordia Development 1 Fund	FHB	HUF	2019.09.19	1 month BUBOR + margin	261,423	Yes	NO
Cordia Development 1 Fund	FHB	HUF			0		
Cordia Development 2 Fund	FHB	HUF	2019.09.19	1 month BUBOR + margin	1,169,142	Yes	NO
Cordia Development 2 Fund	FHB	HUF			4,496		
Cordia Development 2 Fund	FHB	HUF	2020.10.08	1 month BUBOR + margin	0	Yes	NO
Cordia Development 2 Fund	FHB	HUF			0		
Cordia Global 2 Fund	OTP	HUF	2019.08.31	1 month BUBOR + margin	1,883,394	Yes	NO
Cordia Global 2 Fund	OTP	HUF			44,858		
Cordia Global 3 Fund	FHB	HUF	2019.12.21	1 month BUBOR + margin	260,482	Yes	NO
Cordia Global 3 Fund	FHB	HUF			40,753		
Cordia Global 3 Fund	FHB	HUF	2019.12.21	1 month BUBOR + margin	305,341	Yes	NO
Cordia Global 3 Fund	FHB	HUF			54 000		
Cordia Global 4 Fund	UniCredit	HUF	2020.05.29	1 month BUBOR + margin	0	Yes	NO
Cordia Global 4 Fund	UniCredit	HUF			0		
Cordia Global 8 Fund	OTP	HUF	2020.03.30	1 month BUBOR + margin	0	Yes	NO
Cordia Global 8 Fund	OTP	HUF			0		



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**Loans related to the Polish entities:**

**As of 31 December 2018**

Company	Bank	Currency	Withdrawn	Maturity	Interest rate	Collateral on property?	Covenant breached?
Cordia Supernova Sp. z o.o.	Alior Bank S.A.	PLN	69,955	2020-04-30 for construction facility ; 2019-12-31 for VAT loan	WIBOR 3M + margin	Yes	No
Projekt Warszawa 1 Cordia Poland GP One Sp. z o.o. Sp. k.	Santander Bank Polska S.A.	PLN	1,661,388	2020-12-19 for Phase I Tranche; 2022-06-19 for Phase II Tranche; 2020-12-19 for VAT loan; 2022-06-19 for VAT loan if Phase II Tranche is paid out	WIBOR 1M + margin	Yes	No

Company	Bank	Currency	Withdrawn	Maturity	Interest rate	Collateral on property?	Covenant breached?
Villena Sp. z o.o.	Santander Bank Polska S.A.	PLN	1,184,050	2019.12.31	WIBOR 1M + margin	Yes	No
Cordia Supernova Sp. z o.o.	Alior Bank S.A.	PLN	36,498	2020-04-30 for construction facility ; 2019-12-31 for VAT loan	WIBOR 3M + margin	Yes	No
Projekt Warszawa 1 Cordia Poland GP One Sp. z o.o. Sp. k.	Santander Bank Polska S.A.	PLN	0	2020-12-19 for Phase I Tranche; 2022-06-19 for Phase II Tranche; 2020-12-19 for VAT loan; 2022-06-19 for VAT loan if Phase II Tranche is paid out	WIBOR 1M + margin	Yes	No

### 16.(e) Liabilities to related parties

The table below presents the breakdown of liabilities to the related parties:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
Trade payables	0	141,674
Loan	7,028,529	5,236,325
Accrued expenses payables	525,182	347,077
Other liabilities	0	673
<b>Total closing balance</b>	<b>7,553,711</b>	<b>5,725,749</b>
<b>Closing balance includes:</b>		
Current assets	3,124,653	3,450,854
Non-current assets	4,429,058	2,274,895
<b>Total closing balance</b>	<b>7,553,711</b>	<b>5,725,749</b>

The table below presents the movement in loans and borrowings:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
<b>Opening balance</b>	<b>5,236,325</b>
New loan drawdown	12,534,304
Loan repayments	(10,718,107)
Other changing (revaluation, other correction)	(23,993)
<b>Total closing balance</b>	<b>7,028,529</b>

The tables below present the most important conditions of the significant related party loans of the Group:

#### 31-Dec-18

Entity	Counterparty	Balance (in THUF)	Maturity	Currency
HU entity	Related Party	2,660,497	Current	EUR
PO Entity	Related Party	4,368,032	Non-Current	EUR
<b>Total</b>		<b>7,028,529</b>		

#### 31-Dec-17

Entity	Counterparty	Balance (in THUF)	Maturity	Currency
HU entity	Related Party	2,990,887	Current	EUR
PO Entity	Related Party	2,025,264	Non-Current	PLN
PO Entity	Related Party	220,174	Non-Current	EUR
<b>Total</b>		<b>5,236,325</b>		

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<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
HUF	1,354,907	385,613
EUR	6,183,412	3,314,872
PLN	12,286	2,025,264
RON	3,106	0
<b>Total closing balance</b>	<b>7,553,711</b>	<b>5,725,749</b>

**16.(f) Trade and other payables**

The table below presents the breakdown of trade and other payables:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
Trade payables	3,976,604	2,517,382
Accrued expenses	112,783	229,901
Other payables	382,520	201,735
<b>Closing balance</b>	<b>4,471,907</b>	<b>2,949,018</b>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

<i>In thousands of Hungarian Forints (HUF)</i>	<b>31.12.2018</b>	<b>31.12.2017</b>
HUF	3,163,959	1,517,875
EUR	71,091	67,990
PLN	797,778	1,363,153
RON	438,573	0
GBP	506	0
<b>Total closing balance</b>	<b>4,471,907</b>	<b>2,949,018</b>

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## 17. Shareholders' equity

## 17.(a) Share capital

The parent company's share capital is EUR 30,000,000 (9,252,912 thousands HUF) consisting of ordinary shares with nominal value of EUR 1 in the number of 30,000,000. All shares are fully paid. Ordinary shares provide the rights to the holders on a pro-rata basis.

Company	31.12.2018			
	Nominal value of shares (THUF)	Ownership percentage	Nominal value of shares (THUF)	Ownership percentage
Sparks Limited	9,252,912	100.00%	9,252,912	100.00%
<b>Total</b>	<b>9,252,912</b>	<b>100.00%</b>	<b>9,252,912</b>	<b>100.00%</b>

Company	31.12.2017			
	Nominal value of shares (THUF)	Ownership percentage	Nominal value of shares (THUF)	Ownership percentage
Futureal Property Group	37,322	0.40%	37,322	0.40%
Ingatlanforgalmazó Kft.				
Sparks Limited	5,773,623	62.40%	5,773,623	62.40%
FutInvest Hungary Kft.	2,886,811	31.20%	2,886,811	31.20%
Futureal Real Estate Holding Ltd.	555,156	6.00%	555,156	6.00%
<b>Total</b>	<b>9,252,912</b>	<b>100.00%</b>	<b>9,252,912</b>	<b>100.00%</b>

## 17.(b) Share premium

<i>In thousands of Hungarian Forints (HUF)</i>		2018
<b>Opening balance</b>		<b>592,166</b>
Proceeds from capital increase		0
<b>Closing balance</b>		<b>592,166</b>

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**17.(c) Other reserves**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
<b>Opening balance</b>	<b>(189,439)</b>
Other capital contribution	(44,943)
<b>Closing balance</b>	<b>(234,382)</b>

The effect of the mergers accounted for using the predecessor method is recorded in other reserves. Please refer to Note 2 (a) for the details about current year's transactions.

**17.(d) Retained earnings**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
<b>Opening balance</b>	<b>3,768,631</b>
Profit of the year	3,348,916
<b>Closing balance</b>	<b>7,117,547</b>

## 18. Fair value estimation of financial assets and liabilities

The solely financial asset that is measured at fair value through profit or loss in the consolidated financial statements is an other investment, that is not material in neither reporting period (the fair value of the listed investment is HUF 29,553 thousands in 2018 and HUF 30,118 thousands in 2017 respectively). All other financial assets and liabilities are measured at amortized cost.. Furthermore, there are no non-financial assets or liabilities that are measured at fair value.

The fair value of the financial assets and liabilities measured at amortized cost approximates their carrying value, as they are loans and receivables either with variable interest rate (e.g. in case of borrowings) or short-term receivables and liabilities, where the time value of money is not material (e.g. in case of related party loans).

## 19. Commitments and contingencies

### Investment commitments:

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

	31.12.2018	31.12.2017
<i>In thousands of Hungarian Forints (HUF)</i>		
Cordia Development 1 Alap	119,489	1,319,738
Cordia Development 2 Alap	2,810,954	1,242,899
Cordia Globál 1 Alap	0	1,015,032
Cordia Globál 2 Alap	228,970	2,665,287
Cordia Globál 3 Alap	3,093,534	1,299,951
Cordia Globál 4 Alap	682,971	2,468,391
Cordia Globál 5 Alap	4,466,720	3,320,982
Cordia Globál 6 Alap	10,017,708	0
Cordia Globál 7 Alap	3,175,671	1,456,965
Cordia Globál 8 Alap	2,920,853	1,755,810
Cordia Globál 9 Alap	6,005,825	0
Cordia Globál 10 Alap	1,313,702	0
Cordia Globál 11 Alap	3,716,726	0
Cordia Globál 12 Alap	7,819,627	0
Cordia Globál 17 Alap	225,504	0
Cordia Globál 18 Alap	7,200,000	0
Cordia Wroclaw I Sp. Z o.o	579,127	1,831,591
Projekt Warszawa 1	617,740	2,015,917
Villena Sp. z o.o.	0	317,974
<b>Closing balance</b>	<b>54,995,121</b>	<b>20,710,537</b>

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**Unutilized construction loans:**

The table below presents the list of the construction loan facilities, which the Company arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Company:

	<b>31.12.2018</b>	<b>31.12.2017</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
Cordia Development 1 Alap	0	1,617,461
Cordia Development 2 Alap	3,512,712	967,676
Cordia Development 2 Alap	49,886	5,620,000
Villena Sp. z o.o.	0	1,140,761
Projekt Warszawa 1	4,639,890	5,903,815
Cordia Globál 2 Alap	0	2,451,985
Cordia Globál 3 Alap	3,639,967	1,928,057
Cordia Globál 3 Alap	166,137	3,846,650
Cordia Global 4 Fund	597,993	0
Cordia Global 4 Fund	52,181	0
Cordia Global 5 Fund	2,636,086	0
Cordia Global 5 Fund	97,606	0
Cordia Global 7 Fund	1,577,884	0
Cordia Global 8 Fund	3,442,408	0
Cordia Global 8 Fund	200,000	0
Cordia Wroclaw I Sp. Z o.o	6,279,308	2,909,375
<b>Closing balance</b>	<b>26,892,058</b>	<b>26,385,780</b>

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**Operating lease commitments:**

The table below presents the operating lease fee payable by the Group for the non-cancellable lease-term as of 31 December 2018:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Within 1 year</b>	<b>Between 1 and 3 years</b>	<b>After 3 years</b>	<b>Total</b>
Office rental contracts	244,128	689,264	814,245	<b>1,747,637</b>
Car leases	17,220	35,699	9,207	<b>62,126</b>
<b>Total closing balance</b>	<b>261,348</b>	<b>724,963</b>	<b>823,452</b>	<b>1,809,764</b>

The table below presents the operating lease fee payable by the Group for the non-cancellable lease-term as of 31 December 2017:

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Within 1 year</b>	<b>Between 1 and 3 years</b>	<b>After 3 years</b>	<b>Total</b>
Office lease	162,423	328,432	960,317	<b>1,451,172</b>
Car lease	17,635	28,907	0	<b>46,272</b>
<b>Total closing balance</b>	<b>180,058</b>	<b>357,339</b>	<b>960,317</b>	<b>1,497,444</b>

**Contingent liabilities:**

In a sales agreement the company made a commitment to renting of all available spaces. If Cordia breaches the contract, the company will be obliged to make amends for it in amount of THUF 94,120. The Group's Management is not aware of any other contingent liability.



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**Contingent receivables - contracted sales not yet recognized:**

The table below presents amounts to be received from the customers having bought apartments from Cordia and its subsidiary companies and which are based on the value of the sale and purchase agreements signed with the clients until 31 December 2018 after deduction of payments received at reporting date (such payments being presented in the Consolidated Statement of Financial Position as customer advances):

	31.12.2018	31.12.2017
<i>In thousands of Hungarian Forints (HUF)</i>		
Cordia Development 1 Alap	3,596,340	5,703,938
Cordia Globál 2 Alap	4,202,352	5,455,356
Cordia Globál 6 Alap	3,400,102	556,735
Cordia Globál 5 Alap	2,555,958	1,581,931
Cordia Globál 1 Alap	2,082,483	2,368,055
Cordia Globál 7 Alap	4,896,054	6,517,014
Cordia Globál 4 Alap	2,643,242	3,476,382
Cordia Globál 8 Alap	3,039,785	4,274,060
Cordia Globál 8 Alap	2,773,479	0
Cordia Globál 9 Alap	1,382,800	0
Cordia Globál 10 Alap	1,521,405	0
Cordia Globál 11 Alap	5,155,482	0
Cordia Globál 12 Alap	3,031,060	0
Cordia Globál 14 Alap	2,005,988	0
Cordia Globál 17 Alap	1,173,017	0
Cordia Development 2 Alap	906,721	5,286,089
Cordia Development 2 Alap	3,720,859	1,721,740
Cordia Globál 3 Alap	3,073,001	3,054,459
Cordia Globál 3 Alap	4,392,593	2,616,532
Cordia Wroclaw I Sp. Z o.o	1,271,685	0
Project Warszawa 1	1,536,889	0
<b>Closing balance</b>	<b>58,361,295</b>	<b>42,612,291</b>

## 20. Related parties

### Parent company

Please refer to Note 16(e) about loan received from the parent company. Besides this, there were no transactions with the parent company.

For a list of subsidiaries reference is made to Note 2.

The main related parties' transactions arise on:

#### (a) Property plant and equipment

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>	<b>2017</b>
Sister company	42,799	201,299
<b>Closing balance</b>	<b>42,799</b>	<b>201,299</b>

Property, plant and equipment from related parties are mainly purchasing of office equipment.

#### (b) Semi-finished products and work in progress

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>	<b>2017</b>
Sister company	528,665	1,760,249
<b>Closing balance</b>	<b>528,665</b>	<b>1,760,249</b>

Semi-finished products and work in progress from related parties are mainly land plot and related costs, predevelopment works, technical project management fee and design cost.

#### (c) Other balances

Please refer to Note 16 for detailed description about balances with related parties.

#### (d) Sales revenue

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>	<b>2017</b>
Sister company	988,127	3,994,739
<b>Closing balance</b>	<b>988,127</b>	<b>3,994,739</b>

Sales revenue from related parties is mainly coming from administration, marketing and management fee. Furthermore, the sales revenue contains a land plot assignor fee and its related costs in the amount of 700,322 THUF (2,274,858 THUF in 2017). In 2017 there was an additional one-off item, the sale of casino property in the amount of 1,132,000 THUF.

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**(e) Services rendered**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>	<b>2017</b>
Sister company	397,106	894,995
<b>Closing balance</b>	<b>397,106</b>	<b>894,995</b>

Services rendered from related parties are mainly utilities and rental costs, shared service center costs, recharged development costs, marketing and sales costs.

**(f) Other**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>	<b>2017</b>
Sister company	120,632	46,535
<b>Closing balance</b>	<b>120,632</b>	<b>46,535</b>

The row contains interest income.

**Transactions with key management personnel**

There was no transaction with key management personnel.

**Key Management Board personnel compensation**

Apart from the compensation listed below, there were no further benefits, including share based payments granted to key management personnel that were granted during 2018. Key management personnel compensation can be presented as follows:

<b>As at 31 December</b>	<b>2018</b>	<b>2017</b>
<i>In thousands of Hungarian Forints (HUF)</i>		
Salary and other short time benefit	24,993	65,788
Incentive plan linked to financial results	188,252	111,731
<b>Total</b>	<b>213,245</b>	<b>177,519</b>

**Loans to directors**

As at 31 December 2018 and 31 December 2017, there were no loans granted to directors.

## **21. Financial risk management, objectives and policies**

Financial risks are risks arising from financial instruments to which the Group is exposed during or at the end of the reporting period. Financial risk comprises market risk (including currency risk, interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

The primary objectives of the financial risk management program are to minimize the potential negative effect of the unexpected changes on financial markets on the Group financial activities.

Risk management is carried out by a central treasury department (Group Treasury). Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units.

### **(a) Market risk**

#### **(i) Foreign exchange risk**

The Group operates in foreign currencies too and therefore is exposed to foreign exchange risk, primarily with respect to Euro and Polish Zloty. Foreign exchange risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the respective Group entity.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency

The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies. In addition, the Group manages foreign currency risk by matching its principal cash outflows to the currency in which the principal cash inflows (such as residential sales revenue) are denominated. This is generally achieved by obtaining loan finance in the relevant currency.

The functional currency of the Company is the Hungarian forint and its subsidiaries have different functional currencies depending on the place of activity. The Company and each of its subsidiaries are exposed to currency risk arising from financial instruments held in currencies other than their individual functional currencies. At 31 December 2018 if the Hungarian forint weakened/strengthened by 5% against the euro the post-tax profit for the year would have been 63,326 THUF higher (31 December 2017: 304,262 THUF), which caused mainly by the exchange gain on trade payables and loans denominated in HUF.

#### **(ii) Price risk**

The Group has no significant exposure to price risk as it does not hold any equity securities or commodities.

The Group is exposed to price risk other than in respect of financial instruments, such as property price risk including property sales price risk.

The current sales price levels are in line with the market environments of the properties.

#### **(iii) Cash flow and fair value interest rate risks**

The Group's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk, which is partially covered by the variable rate cash and cash equivalents. The Group has borrowings at fixed rates and therefore has exposure to fair value interest rate risk.

The Group's individual development loans financing the projects have an average duration of less than two years, therefore the interest rate changes on these loans would not have material effect on the Group's result.

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Taking into consideration the current market environment the management expects no interest rate decrease, so only the effect of interest rate increase is shown in the following table:

<i>Interest rate increase:</i>	<b>Yearly effect on profit before tax (THUF)</b>
0,5 percentage point	50,346

Please also refer to Note 16(a), 16(d) and 16(e) for the main conditions of the loan agreements.

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks, trade receivables and loan receivables. Credit is not material in case of cash, since it is held at major international banks. Trade receivables are not material. Loans are only granted for companies under common control and they are guaranteed by the parent company or the ultimate owner. Based on this, credit is considered to be minimal for the Group.

**(c) Liquidity risk**

The cash flow forecast is prepared by the operating units of the Group. The forecasts are summarized by the Group's finance department. The finance department monitors the rolling forecasts on the Group's required liquidity position in order to provide the necessary cash balance for the daily operation. The Group aims to maintain flexibility in funding by keeping committed credit lines available not to overdraw the credit lines and to meet the credit covenants. These forecasts take into consideration the Group's financial plans, the contracts' covenants, the key performance indicators and the legal environment.

<b>As at 31 December 2018</b>		
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>
Loans and borrowings	5,239,689	4,829,609
Trade and other payables	4,471,907	1,870,338
Liabilities to related parties	3,124,653	4,429,058
Net assets attributable to non-controlling investment unit holders	0	16,286,632
<b>Total</b>	<b>12,836,249</b>	<b>27,415,637</b>

<b>As at 31 December 2017</b>		
<i>In thousands of Hungarian Forints (HUF)</i>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>
Loans and borrowings	1,107,984	6,701,012
Trade and other payables	2,949,018	651,154
Liabilities to related parties	3,450,854	2,302,646
Net assets attributable to non-controlling investment unit holders	0	7,468,455
<b>Total</b>	<b>7,507,856</b>	<b>17,123,267</b>

## 22. Capital management

When managing capital, it is the Group's objective to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the profit appropriation, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio and leverage.

Banking covenants vary according to each loan agreement, but typically are not related directly to the gearing ratio of the Company but to the proportion of loan to value of the mortgage collateral which usually is required not to cross the limit of 70% or 80%.

During the period the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated Statement of Financial Position) less cash and cash equivalents. Leverage is calculated as net debt divided by total capital employed. Total capital employed is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt financing assets in operation.

The gearing ratios and leverage at 31 December 2018 and 31 December 2017 were as follows:

### As at 31 December

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>	<b>2017</b>
Loan and borrowings, including current portion	10,069,298	6,482,075
Less: cash and cash equivalents	12,289,550	9,971,253
<b>Net debt</b>	<b>(2,220,252)</b>	<b>(3,489,178)</b>
Total equity	16,871,412	13,677,447
<b>Total capital employed</b>	<b>14,651,160</b>	<b>10,188,269</b>
<b>Gearing ratio</b>	<b>-13,16%</b>	<b>-25,51%</b>
<b>Leverage</b>	<b>-15,15%</b>	<b>-34,25%</b>

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements. There were no changes in the Groups approach to capital management during the year.

### 23. Adjustment in connection with Consolidated Financial Statements as of 31 December 2017

The Group has controlling interest in two investment funds (Finext Real Estate Opportunities Budapest SICAV-SIF Sub-Fund and Finext Real Estate Opportunities One SICAV-SIF Sub-Fund) as of 31 December 2018 (in Finext Real Estate Opportunities One SICAV-SIF Sub-Fund as of 31 December 2017). Please see also Note 2 (c) for more details.

Management of the Group has reviewed the classification and presentation of those investment notes, which are owned by the non-controlling investors. The review discovered that the investment notes owned by the non-controlling investors were not properly presented and will be more fairly and transparently presented if are not classified in equity together with the non-controlling interests of other companies in the group.

Therefore, despite as of 31 December 2017 these balances were presented in equity, as of 31 December 2018, they are presented in the statement of financial position on a separate line called „Net assets attributable to non-controlling investment unit holders”. Comparative period has been restated accordingly.

Management believes that this presentation is also more in line with the industry practice and ensures increased comparability with other similar groups.

The restatement did not have an impact on the profit for the year or the cash-flow statement. Since the funds were established in 2017, the change did not have an impact on periods ending before 2017.

Changes in the consolidated statement of financial position and statement of changes in equity are presented below:

#### Consolidated statement of financial position

<i>In THUF</i>	31.12.2017 As previously presented	Change	31.12.2017 Restated
<b>Shareholders' equity</b>			
Share capital	9,252,912	0	9,252,912
Share premium	592,166	0	592,166
Currency translation reserve	141,872	0	141,872
Other reserves	(189,439)	0	(189,439)
Retained earnings	3,768,631	0	3,768,631
<b>Equity attributable to equity holders of the parent</b>	<b>13,566,142</b>	0	<b>13,566,142</b>
Non-controlling interests	7,579,760	(7,468,455)	111,305
<b>Total equity</b>	<b>21,145,902</b>	<b>(7,468,455)</b>	<b>13,677,447</b>
<b>Net assets attributable to non-controlling investment unit holders</b>	<b>0</b>	<b>7,468,455</b>	<b>7,468,455</b>

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**Consolidated statement of changes in equity**

	<u>Attributable to the equity holders of the parent</u>						<u>Non-controlling interests</u>	<u>Total equity</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>		
<i>In THUF</i>								
Balance at 1 January 2018 as previously presented	9,252,912	592,166	141,872	(189,439)	3,768,631	13,566,142	7,579,760	21,145,902
Change							(7,468,455)	
Balance at 1 January 2018 as restated	9,252,912	592,166	141,872	(189,439)	3,768,631	13,566,142	111,305	13,677,447

## 24. Subsequent events

### Change of the leading shareholder:

Sparks Investments Ltd., the sole shareholder of Cordia International Zrt. sold in May 2019 its entire holding in the Company to QED Investments Ltd., with registered seat in Cyprus. QED Investments Ltd. is also the sole shareholder of Sparks Investments Ltd.

### Capital increase:

The new sole shareholder – QED Investments Ltd. – has declared the capital increase of the Company by EUR 27m. Relevant resolution of the Company's shareholders was taken in May. The newly issued shares have been fully paid up already.

### Commencement of operations in new market (Spain):

Cordia Group commenced its operations in Spain by purchasing in April (via fully owned and controlled subsidiary) a plot of land in Marbella which is dedicated for development of the residential project comprising potentially up to 120 apartments. The Company plans its development in the Spanish market very carefully with rather opportunistic approach searching for unique opportunities in selected attractive and promising urban areas.

### Acquisition of new plots:

The Company's subsidiary has purchased plots of land located in Cracow, in district Podgórze. The purchase agreement was signed in February. The plots are dedicated for development of the residential project comprising over 150 apartments.

A land plot in Bucharest was purchased by Company's subsidiary from a private individual in February 2019. The plot is dedicated for development of the residential project comprising 450 apartments.

A land plot in Bucharest was purchased by Company's subsidiary from a private individual in March 2019. The plot is dedicated for development of the residential project comprising nearly 400 apartments.

In May 2019 the Company's subsidiary purchased a plot of land in Warsaw, district Ursynów. The plot is dedicated for development of the residential project comprising 260 apartments.

In May 2019 the Company's subsidiary entered into the purchase agreement related to plot of land in Budapest, district VIII. The plot is dedicated for development of the residential project comprising approximately 100 apartments.

In June 2019 the Company's subsidiary entered into final sale-purchase agreement related to a plot of land in Sopot, Poland. The plot is dedicated for development of the residential project comprising 120 apartments.



**Commencements of new projects:**

The Company's subsidiary involved in development of the residential project Lotniczówka (comprising 65 apartments) in Cracow obtained the valid building permit in January 2019 and commenced its realization. The construction works are performed by general contractor Zakład Budowlano-Montażowy Grimbud Sp. z o.o.

The Company's subsidiary involved in development of the residential project Zielone Bemowo in Warsaw (I stage comprising 118 apartments and II stage comprising 200 units) commenced realization of the second stage of this project in February 2019. Construction works are performed by general contractor Fundamental Group S.A.

The Company's subsidiary involved in development of the residential project Parcului20 in Bucharest (I stage comprising 260 apartments and II stage comprising 209 apartments) commenced realization of the first stage of this project in April 2019. Construction works are performed by general contractor Concelex s.r.l.

The Company has commenced also realization of two projects in Budapest: Universo (260 apartments) in District IX and Grand Corvin Phase 2 (360 apartments) in District VIII.

**Financing:**

Cordia Global Subfund 18: The Fund signed a project construction facility loan with OTP bank in an amount of 7.260.000.000 HUF, the maturity of the loan is December 31st, 2021.

Cordia Global Subfund 10: The Fund signed a project construction facility loan with Sberbank in an amount of 4.610.000.000 HUF, the maturity of the loan is March 31st, 2022.

## 25. Segment report

### Segment information

The Board of Directors is the Group's chief operating decision-maker body. The Group's operating segments are defined as separate entities developing particular residential projects, which for the reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations.

The Board of Directors considers the business from a geographic perspective. Geographically, management considers the performance in Hungary, Poland and Romania. The segments derive their revenue primarily from the sales of residential properties to individual customers. According to the assessment of the Board of Directors, the operating segments identified have similar economic characteristics.

The Board of Directors monitors the budgeted and forecasted financial results of the operating segments for the purpose of making decisions about resource allocation and performance assessment..

### Revenue

Management believe, that revenue is currently not the most descriptive factor, since the projects are mostly in the development phase. There are no significant sales transactions between the segments. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

#### Year ended 31 December 2018

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Total segment revenue</b>	<b>Inter-segment revenue</b>	<b>Revenue from external customers</b>
Hungary	13,629,907	7,367	13,622,540
Poland	5,821,889	81,501	5,740,388
Romania	2,671	0	2,671
Other	0	0	0
<b>Total</b>	<b>19,454,467</b>	<b>88,868</b>	<b>19,365,599</b>

#### Year ended 31 December 2017

<i>In thousands of Hungarian Forints (HUF)</i>	<b>Total segment revenue</b>	<b>Inter-segment revenue</b>	<b>Revenue from external customers</b>
Hungary	3,060,487	0	3,060,487
Poland	3,943,591	85,937	3,857,654
Romania	0	0	0
Other	0	0	0
<b>Total</b>	<b>7,004,078</b>	<b>85,937</b>	<b>6,918,141</b>

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**Gross profit**

**Year ended 31 December 2018**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
Hungary	5,752,657
Poland	1,594,951
Romania	2,608
Other	0
<b>Total</b>	<b>7,350,216</b>

**Year ended 31 December 2017**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2017</b>
Hungary	2,990,457
Poland	988,573
Romania	0
Other	0
<b>Total</b>	<b>3,979,030</b>

**Net profit**

**Year ended 31 December 2018**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2018</b>
Hungary	3,626,881
Poland	333,080
Romania	(75,916)
Other	(605,850)
<b>Total</b>	<b>3,278,195</b>

**Year ended 31 December 2017**

<i>In thousands of Hungarian Forints (HUF)</i>	<b>2017</b>
Hungary	2,115,646
Poland	98,042
Romania	0
Other	(301,438)
<b>Total</b>	<b>1,912,250</b>

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Assets as 31.12.2018

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Other</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	179,384	4,202	4,270	0
Investment properties	0	0	0	0
Property, plant and equipment	533,982	108,815	23,987	0
Long-term receivables from third parties	8,426	-	-	0
Long-term receivables from related parties	-	1,150,746	-	0
Investments accounted for using equity method	729,800	-	-	0
Deferred tax assets	49,986	74,953	-	0
Other long-term financial assets	8,891,957	1,976,351	1,632	0
Other long-term assets	819,992	0	0	0
<b>Total non-current assets</b>	<b>11,213,527</b>	<b>3,315,067</b>	<b>29,889</b>	<b>0</b>
<b>Current assets</b>				
Inventory	44,585,333	12,144,751	1,983,222	-
Trade and other receivables	152,514	38,360	647	-
Short-term receivables from related parties	4,354,457	5,348	56	-
Other short-term assets	245,865	21,337	33,985	12
Income tax receivable	25,785	4,255	-	-
Other tax receivables	2,533,615	461,553	62,679	-
Loan receivables	-	-	-	-
Other financial assets	161,291	-	78,990	29,553
Cash and cash equivalents	10,807,184	549,590	14,161	918,615
<b>Total current assets</b>	<b>62,886,044</b>	<b>13,225,194</b>	<b>2,173,740</b>	<b>948,180</b>
<b>Total assets</b>	<b>74,079,571</b>	<b>16,540,261</b>	<b>2,203,629</b>	<b>948,180</b>
<b>Fair value difference on inventories*</b>	12,104,048			
<b>Adjusted total assets</b>	<b>86,183,619</b>	<b>16,540,261</b>	<b>2,203,629</b>	<b>948,180</b>

\* CODM assesses the performance of the entities based on local GAAP statutory financial statements. In Hungary, the funds are revalue inventories to fair value at the end of each period in the statutory financial statements. This figure represent the revaluation difference calculated based on local GAAP for these entities as of 31 December 2018. In line with IFRS, this fair valuation is eliminated from the consolidated financial statements.

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Liabilities as of 31.12.2018

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Other</b>
<b>Non-current liabilities</b>				
Loans and borrowings	3,098,266	1,731,343	0	-
Bonds	0	0	0	-
Long-term liabilities to related parties	0	4,429,058	0	-
Deferred tax liabilities	33,712	10,838	0	-
Customer advances	7,635,951	0	0	-
Other long-term liabilities	1,774,106	96,232	0	-
<b>Total non-current liabilities</b>	<b>12,542,035</b>	<b>6,267,471</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>				
Trade and other payables	3,590,736	796,650	49,423	233,935
Bonds	0	0	0	0
Short-term liabilities to related parties	2,984,491	2,822	2,547	134,793
Loans and borrowings	5,239,689	0	0	0
Customer advances	24,560,257	3,639,145	15,546	0
Other tax liabilities	665,394	32,818	8,975	0
Income tax liabilities	20,438	6,827	1,063	16,941
<b>Total current liabilities</b>	<b>37,061,005</b>	<b>4,391,169</b>	<b>77,554</b>	<b>385,669</b>
<b>Total liabilities</b>	<b>49,603,040</b>	<b>10,658,640</b>	<b>77,554</b>	<b>385,669</b>

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Assets as 31.12.2017

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Other</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	126,786	10,202	0	0
Investment properties	508,500	55,489	0	0
Property, plant and equipment	11,494	0	0	0
Long-term receivables from third parties	0	1,050,379	0	0
Long-term receivables from related parties	0	0	0	0
Deferred tax assets	60,608	74,482	0	0
Other long-term financial assets	4,893,499	589,916	0	0
Other long-term assets	1,713,199	145,811	0	0
<b>Total non-current assets</b>	<b>7,314,086</b>	<b>1,926,279</b>	<b>0</b>	<b>0</b>
<b>Current assets</b>				
Inventory	32,353,776	5,182,928	0	0
Trade and other receivables	302,489	32,142	0	(2,353)
Short-term receivables from related parties	1,888,403	(85,889)	0	4,968
Other short-term assets	190,801	232,670	0	0
Income tax receivable	4,125	18,929	0	0
Other tax receivables	394,597	424,983	0	0
Loan receivables	0	0	0	0
Other financial assets	2,719,665	450	0	30,119
Cash and cash equivalents	8,073,357	595,774	0	1,302,122
<b>Total current assets</b>	<b>45,927,213</b>	<b>6,401,987</b>	<b>0</b>	<b>1,334,856</b>
<b>Total assets</b>	<b>53,241,299</b>	<b>8,328,266</b>	<b>0</b>	<b>1,334,856</b>
<b>Fair value difference on inventories*</b>	<b>4,377,597</b>			
<b>Adjusted total assets</b>	<b>57,618,896</b>	<b>8,328,266</b>	<b>0</b>	<b>1,334,856</b>

\* CODM assesses the performance of the entities based on local GAAP statutory financial statements. In Hungary, the funds are revalue inventories to fair value at the end of each period in the statutory financial statements. This figure represent the revaluation difference calculated based on local GAAP for these entities as of 31 December 2017.

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Liabilities as of 31.12.2017

<i>In thousands of Hungarian Forints (THUF)</i>	<b>Hungary</b>	<b>Poland</b>	<b>Romania</b>	<b>Other</b>
<b>Non-current liabilities</b>				
Loans and borrowings	4,493,115	1,253,148	0	0
Bonds	0	0	0	0
Long-term liabilities to related parties	0	2,274,896	0	0
Deferred tax liabilities	22,878	143,108	0	0
Customer advances	0	0	0	0
Other long-term liabilities	5,337,026	0	0	0
<b>Total non-current liabilities</b>	<b>10,420,578</b>	<b>3,754,747</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>				
Trade and other payables	1,974,481	967,656	0	6,881
Bonds	0	0	0	0
Short-term liabilities to related parties	3,449,543	1,311	0	0
Loans and borrowings	735,812	0	0	0
Customer advances	18,705,207	1,485,700	0	0
Other tax liabilities	155,439	12,848	0	0
Income tax liabilities	67,695	10,771	0	9,850
<b>Total current liabilities</b>	<b>25,088,177</b>	<b>2,478,286</b>	<b>0</b>	<b>16,731</b>
<b>Total liabilities</b>	<b>35,508,755</b>	<b>6,233,033</b>	<b>0</b>	<b>16,731</b>

*Power  
Egri*

*John C*

*[Signature]*